

# THE ARMY NATIONAL GUARD ANNUAL FINANCIAL REPORT FISCAL YEAR 2004

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## MESSAGE FROM THE DIRECTOR

The Army National Guard continued to answer the call in FY04 as America remained at war—proving once again why our citizen-Soldiers are one of the main pillars of our nation’s defense. Since September 11, 2001, the Army National Guard has deployed over 54% of its force. From the ongoing combat service in places like Iraq and Afghanistan to the emergency service and reconstruction work in the aftermath of Florida’s record hurricane season, the Army National Guard again met the significant challenge of balancing our federal and state missions this fiscal year. Our Soldiers, families, and employers deserve much credit for a job well done in the face of strained resources.

As we transform at an unprecedented pace while continuing the warfight, state and national leaders can rest assured that the Army National Guard remains committed to and capable of its dual purpose. Use of Army National Guard units in domestic and foreign affairs continued in significant numbers throughout 2004 with increased participation in areas of military support to civilian authorities, state active duty, counterdrug operations, and force protection.

As America sustains its reliance on the Army National Guard, resources were stretched again this year. To satisfy Department of the Army’s deployment requirements, all 54 states and territories deployed Army National Guard units in support of Operation Iraqi Freedom; Operation Enduring Freedom; Operation Noble Eagle; Stabilization Force, Bosnia; Kosovo Force; Horn of Africa; Multi-National Force Observers; Guantanamo Bay Operations; Force Protection Europe; and numerous other operations. As we enter the fourth year of the Global War on Terrorism, we anticipate the Army National Guard will be required to sustain its high level of operations. We face some critical shortages that must be addressed over the coming year to ensure we continue to accomplish our mission.

The Army National Guard’s Annual Financial Report outlines the key areas where we obligate our federal dollars. The priority of the Army National Guard is to be a “Relevant, Reliable, Essential, and Accessible Force.” We have expanded the military for war and remain a cost-efficient capability in peace. Our Soldiers, their families, and employers were all tested greatly this year. Once again, citizen-Soldiers have answered America’s call and we are all indebted to them for it.

# AN OVERVIEW: THE ARNG

## READINESS OF THE ARMY NATIONAL GUARD

As the nation continues the Global War on Terrorism, the Army has increased its reliance on the Army National Guard (ARNG). During Fiscal Year 2004 (FY04), the ARNG continued to manage its overall readiness by prioritizing resources in support of the National Military Strategy.

Since July 2002, overall unit readiness has decreased by 27.6% while providing personnel and equipment to units to ensure fully manned and equipped National Guard forces for deployment. Personnel, training, and equipment-on-hand decreased between 14% and 22.6% over the past two years, while equipment readiness declined by 6.4% during the same period. Despite declines in the areas of personnel and equipment due to increased mobilizations, deployments, and funding, the ARNG successfully met all mission requirements and continued to support the Global War on Terrorism. Since September 11, 2001, the Army National Guard has deployed over 54% of its force while continuing to support the Global War on Terrorism, homeland defense, and state missions.

As we enter the fourth year of these operations, we anticipate the Army National Guard will need to continue to support the requirements of the Combatant Commanders. Some critical shortages still exist in the Guard structure and impose challenges to meet these requirements.

The Army National Guard continues to develop, deploy, and implement the Strategic Readiness System, as mandated by Congress, to improve organizational readiness by aligning Department of the Army strategies throughout the ARNG. This integrated strategic management and measurement system aligns operations to the vision, objectives, and initiatives of The Army Plan to enable leaders to evaluate success of strategies and effectively monitor expenditure of resources to maximize organizational readiness.

As the Global War on Terrorism continues, the Army National Guard will continue to meet the Army's requirements to protect our national interests and prevent future acts of terrorism. Readiness concerns such as full-time manning, recruiting, retention, and modernizing our ground and air fleets are a priority for the ARNG in today's environment.

## FORCE STRUCTURE

Following a comprehensive reevaluation of the Army's corps, division, and brigade structures, the Chief of Staff, Army, approved designs with the intent of making these units more expeditionary through modular design. Modular units will enable the Army to provide a flexible mix of capabilities needed by the warfighter. Over the next few years, the Army National Guard will reconfigure all existing maneuver brigades, including the 15 enhanced separate brigades, to the new brigade combat team design. The ARNG will have 34 brigade combat teams that will be designed in an infantry and armored mix identical to the Active Component's. The divisional structure will transform into eight Unit of Employment X Headquarters. This modular capability will provide a new level of flexibility to ARNG organizations as they support the full spectrum of military operations. The combat service and combat service support structure of the Army National Guard will also undergo transformation to support the new modular force. The intent is to rebalance the ARNG while retaining the ability to meet joint, federal, and state missions.

## OPERATIONS

Use of Army National Guard units at home and abroad continued in significant numbers throughout FY04 with increased participation in areas of military support to civilian authorities, state active duty, counterdrug operations, and force protection. The ARNG continued its ongoing support to Combatant Command-sponsored engagement programs at virtually the same levels as in previous years—in the form of multi-lateral exercises, peacekeeping operations, overseas humanitarian assistance programs, and medical readiness exercises—all conducted concurrently with operations in the Balkans, Iraq, and Afghanistan.

Furthermore, National Guard men and women assisted civilian authorities, established law and order, conducted disaster relief operations, provided humanitarian assistance, and provided force protection after several severe hurricanes wreaked havoc across Southeast United States. The most notable were Hurricanes Charley, Frances, Ivan, and Jeanne.

The Army National Guard simultaneously trained units to defend the nation in major theaters of war and responded to the nation's call in conflicts around the world. ARNG units rotated through the Army's Combat Training Centers at Fort Irwin and Fort Polk, participated in major Joint Chiefs of Staff-sponsored exercises at home and abroad, conducted deployments overseas for training and operational support, and performed a myriad of overseas and local small-unit training exercises.

Domestically, the Army National Guard assisted civil authorities in emergency support missions. As usual, the ARNG responded to a wide variety of emergencies throughout the nation. In addition to the hurricanes, the continuing western drought kept wildfires an almost year-round challenge with action especially concentrated in the first and fourth quarters of FY04. Flooding, especially in states east of the Mississippi River, was a constant menace and in June 2004, the Army National Guard provided both ceremonial and security support in the District of Columbia and in California for the burial of former President Reagan.

In a major contribution to the Global War on Terrorism, the Army National Guard provided security for key assets throughout much of the nation. In a precedent setting event, an ARNG general officer commanded a joint task force to secure the G8 Summit in Sea Island, Georgia.

## OPERATIONAL SUPPORT AIRLIFT AGENCY

The Operational Support Airlift Agency exists as a unique organizational structure with a considerable network of geographically-dispersed, yet centrally-controlled, military aircraft that provide transportation for both personnel and cargo. These airplanes comprise the majority of the 170 Army fixed wing aircraft for wartime requirements. They routinely support all government agencies while training for wartime readiness. This resulted in more than \$44 million in cost avoidance related travel expenses for FY04. Robust support to the warfight included transporting time-sensitive/mission-critical supplies and/or personnel in Iraq, Afghanistan, Saudi Arabia, Pakistan, Oman, Qatar, Bahrain, Egypt, and Jordan.

In FY04, these aircraft flew 56,464 hours, transported 5.3 million pounds of cargo, and carried 88,886 passengers. The elevated cargo support represents an increase of approximately 71% over FY03, a direct result of the C-23 intra-theater cargo support effort for the Global War on Terrorism.

## AVIATION

Army National Guard aviation completed 105% of the flying hours projected for FY04. This represents an average of 9.2 aircrew flying hours per month—the highest level since achieving 9.1 in FY96. During FY04, an average of 442 aircrews were deployed each month in support of Operations Noble Eagle, Enduring Freedom, the Balkans (Kosovo Force and Stabilization Force), and Iraqi Freedom.

Army National Guard aircrews flew more than 60,000 flying hours in support of the Global War on Terrorism. This is a 300% increase over FY03. More than 235,000 total hours were flown in support of the ARNG missions for homeland security, training, and combat operations. While 30% of Army National Guard aviation force structure was deployed, the Army aviation transformation process continued. As aircraft were redistributed to modernize units, aircrew qualification and proficiency training was accelerated to rapidly meet emerging deployments.

## END-STRENGTH, ACCESSIONS, AND ATTRITION

Congressionally directed end-strength was 350,000 Soldiers for the Army National Guard. The ARNG end of year end-strength was 342,918 Soldiers, which was 7,082 Soldiers below the mandated level. The Accession Program was 60,100 Soldiers (56,002 enlisted and 4,098 officers). The projected attrition rate was 18.0%, the programmed non-prior service (NPS) / prior service (PS) split was 60% NPS / 40% PS. The year-to-date execution was 58% NPS and 42% PS. The attrition rate for FY04 was 17.7%. The Obligor Reenlistment Program was 12,978 and the actual re-up was 12,834 Soldiers. Careerist Reenlistment Program was 34,522 and the actual re-up was 34,178 Soldiers.

## FULL-TIME SUPPORT

Men and women who provide full-time support to Army National Guard Soldiers are a critical part of the ARNG. They enhance readiness by assisting unit commanders in managing day-to-day requirements. In recent years, the Army National Guard began to expand its full-time support force in order to better serve its Soldiers and the units to which they are assigned. To meet readiness requirements, increasing full-time support authorizations is one of the top priorities for the Army National Guard.

Full-time support Soldiers have been the key element in the mobilization and deployment of Army National Guard units and Soldiers to support the Global War on Terrorism during the past four years. The continuing expanded demands on the National Guard for overseas deployments, as well as its growing responsibility for homeland defense and homeland security, make their service even more vital.

## FACILITY OPERATIONS AND MAINTENANCE

The Army National Guard operates more than 27,000 facilities, including nearly 3,000 armories and readiness centers in more than 2,600 communities in 50 states, 3 territories, and the District of Columbia. The sustainment of modern and well-maintained facilities is a key component in the readiness and training of the ARNG organization. The Facility Operations and Maintenance Program pays for salaries required to support facility operations and maintenance, and also provides funds for municipal and engineering services, utilities, minor construction, maintenance, and repair projects required to extend the useful life of facilities. In FY04, \$378 million was provided for real property sustainment that funded approximately 92% of the requirement.

## ENVIRONMENTAL PROGRAM

The Army National Guard Environmental Program manages resources and provides guidance to foster environmental quality and maintain compliance with all applicable federal, state, and local environmental requirements. The FY04 Environmental, Operations, and Maintenance Appropriation of \$185 million was adequate to fully fund all critical environmental compliance, conservation, and pollution prevention projects necessary to maintain compliance with applicable environmental laws and regulations. FY04 environmental restoration funding provided to the ARNG was adequate to accomplish minimum essential cleanup requirements.

The Impact Area Groundwater Study Program at the Massachusetts Military Reservation made significant progress in 2004, transitioning from primarily investigation to actual cleanup of contaminated soil and groundwater. Funding was approximately \$51.7M in FY04.

## LOGISTICS–DEPOT MAINTENANCE

The Depot Maintenance Program continues to be an integral part of Army National Guard sustainment as it is based on a “repair and return to user” premise as opposed to an equipment maintenance “float” system. Unlike the Active Component, the ARNG does not have a quantity of selected end items authorized for use by units as immediate replacements when critical equipment is returned to the depot for repair.

Funding for the Army National Guard’s depot maintenance requirement increased from 56% in FY03 to 66% in FY04. The FY04 ARNG Depot Maintenance Program was funded at \$194.1 million of its total requirement of \$295.3 million. During FY04, the amount of equipment qualifying for depot repair increased by 15%. This increase was attributable primarily to the rebuild of the Army National Guard’s aged tactical wheeled vehicle fleet.

## TRAINING AND EDUCATION

Army National Guard training requirements increased in 2004 due to ongoing requirements of the Global War on Terrorism and of Operations Noble Eagle, Iraqi Freedom, and Enduring Freedom.

The milestone for Duty Military Occupational Skill Qualifications (DMOSQ) was reached for the second consecutive year. The FY04 goal of 82% was exceeded by achieving 83.08% DMOSQ. One successful method of increasing DMOSQ was the implementation of the phased mobilization process. This allowed a percentage of Army National Guard Soldiers to train while in the early stages of mobilization before they were deployed.

The increase in pre-mobilization training maximized the current assets and capabilities of the Army National Guard. This funding supported operations and training on more than 2 million acres of land, 3,000 ranges, and more than 100 ARNG Training Centers. To date, the Army National Guard has 400 ranges that still require upgrades to meet Army standards.

Distributive learning increased in FY04 with 120,000 users. Utilization of the Army Distance Learning Program increased and sustained readiness by delivering quality training to Soldiers when and where the training was required and addressing state/federal requirements. The application of this technology provided standardized training through The Army School System.

The new equipment training on 99 different weapon systems was funded as part of the Army National Guard modernization transformation. This funding provided total package fielding, displaced equipment training for cascaded systems, and appropriate support personnel for new and displaced system fielding.

## **GROUND OPERATING TEMPO**

The Ground Operating Tempo (OPTEMPO) Program for the Army National Guard provides resources for the collective readiness training of units and for the administrative support of all uniformed members of the ARNG. Ground OPTEMPO funding totaled \$842 million in FY04. It was allocated to ensure critical requirements were met. As a result, certain maintenance and repair requirements were deferred. Mobilizations placed unusual demands on large numbers of Army National Guard units. The performance of collective training for mobilized units increased significantly at mobilization stations, ensuring units were trained to accomplish their mission. Much equipment maintenance and repair was accelerated to ensure units were fully equipped and ready prior to mobilization. Similarly, organizational clothing and equipment purchases were accelerated to ensure every Soldier had the individual equipment required for deployment.

## **ARMY COMMUNITIES OF EXCELLENCE**

The Army Communities of Excellence (ACOE) Program was established more than 10 years ago. This program provides a quality environment through achieving excellence in facilities and services. The program focuses on readiness through the Army Performance Improvement Criteria, a management tool based on the Malcom Baldrige National Quality Award used to assess organizations' overall performance. In FY04, based on the Joint ARNG/Army Reserve downselect process, several JFHQ-States were recognized for outstanding achievement. Of the nineteen states that participated in the Army Performance Improvement Criteria (APIC) Process, Minnesota was chosen as the overall winner in FY04.

## **PERSONNEL ELECTRONIC RECORDS MANAGEMENT SYSTEM**

The Army National Guard developed, validated, and fielded a new web-based Personnel Electronic Records Management System (PERMS) Program to the 54 states and territories in FY04. Scheduled completion date for conversion is FY05. Once converted, all enlisted ARNG Soldiers will have online access to their personnel file. The new system provides easy access to 350,000 personnel records to the human resource community, commanders, and Soldiers anytime, anywhere in the world. This program also allows Soldiers to view and update their promotion board file from any location as long as they have access to the Internet.

In FY04, the PERMS Program expanded to include a mobilization/deployment folder. This new feature streamlines the mobilization process and eliminates the previously required paper documents.

## **DEFENSE INTEGRATED MILITARY HUMAN RESOURCES FOR PERSONNEL AND PAY**

Defense Integrated Military Human Resources for Personnel and Pay (DIHMRS Pers/Pay) is the vehicle for fielding and resourcing a fully integrated human resource system. It enhances readiness and connects Army National Guard members directly to their personnel and pay system, solving many personnel and pay problems ARNG members used to face.

## **INFORMATION TECHNOLOGY**

The information technology infrastructure supports Army National Guard Soldiers located at more than 27,000 facilities, including nearly 3,000 armories and readiness centers. Programs include Long Haul Communications, Base Communications, Automation, Administrative Services, Visual Information and Audio Support, and Information Technology Information Assurance.

Due to the Global War on Terrorism, information security has become a top priority of the Army National Guard with new security requirements greatly increasing the data communication capacity requirement. This has resulted in the need for T1 connectivity to every armory location in the ARNG. Subsequently, more than \$80 million (40% of FY04 information technology funding) was executed in base communications.

GuardNet XXI serves as the Army National Guard's "Channel of Communication" between each of the 54 Joint Forces Headquarters - (State), the National Guard Bureau and the Departments of the Army and Air Force. During FY04, GuardNet XXI enhanced its security, resulting in greater bandwidth capacity needs. More than 15% of the total information technology funding has been directly applied toward the operation and maintenance of the GuardNet XXI backbone.

## **FAMILY ASSISTANCE CENTERS**

In FY04, the Army National Guard continued to provide family assistance to all military dependents in the states and territories, as well as the geographically dispersed areas beyond the support capability of military facilities. As the Army's lead agency for the establishment and execution of family assistance, the Army National Guard operated, on average, 400 centers each month during FY04.

The Family Assistance Centers are the primary entry-point for all services and assistance that any military family member may need during the deployment process, regardless of service members' Component. These centers are also critical to demobilizing service members and the long-term health and welfare of the family unit. The estimated requirement for centers in FY05 is 425.



## OPERATIONS OF THE ARNG

The national investment in Army National Guard training and readiness programs continued to pay strong dividends. Congressional focus directly enabled the Guard to robustly defend the homeland and to provide trained and ready units to Combatant Commanders waging the war on terrorism and engaging allies abroad.

Full partners in the Global War on Terrorism, the Army and the Army National Guard joined in a transformation process critical to meeting the challenges of today and the future. At the same time, the Guard moved forward with proven readiness and training programs key to current successes and building towards future ones.

While transforming at an unprecedented pace and continuing the warfight, the Army National Guard remained committed to its dual-role responsibility. The ARNG continued to provide immediate support to local civilian authorities while maintaining relevant and ready forces to support the nation. The Army National Guard continued throughout FY04 with increased participation in areas of military support to civilian authorities, state active duty, counterdrug operations, and force protection. Participation to Combatant Command-sponsored engagement programs – in the form of multi-lateral exercises – decreased only slightly from previous years. The Army National Guard continued its ongoing support, peacekeeping operations, overseas humanitarian assistance programs, and medical readiness exercises – all conducted concurrently with operations in the Balkans, Iraq, and Afghanistan.

In the southeast part of the United States, thousands of Army National Guard men and women came to the assistance of civilian authorities, establishing law and order, conducting disaster relief operations, providing humanitarian assistance, and force protection after several hurricanes made landfall in the fall.

State Active Duty - 549,868 Mandays  
Counterdrug Operations - 740,141 Mandays  
Force Protection Operations - 692,851 Mandays  
Exercises/Combatant Command/  
Service Support - 2,684,781 Mandays  
Mobilizations - 29,909,725 Mandays

The Army National Guard executed an un-programmed \$149 million of its annual budget to prepare, sustain, and reset mobilized units. These funds also supported requirements identified, but not covered, by the Active Component for ARNG units at mobilization stations. Additionally, the Army National Guard executed more than \$48 million programmed to support mobilizations of units deploying to the Balkans.

## TRAINING FOR THE FEDERAL MISSION

Throughout 2004, the Army National Guard prepared units to defend the nation in major theater wars while simultaneously responding to the nation's call in ongoing operations. ARNG units rotated through the Army's Combat Training Centers at Fort Irwin and Fort Polk, participated in major Joint Chiefs of Staff-sponsored exercises at home and abroad, conducted deployments

overseas for training and operational support, and performed myriad overseas and local small-unit training exercises.

## **COMBAT TRAINING CENTERS**

In preparation for the warfight, mobilized brigade combat teams rotated through the Joint Readiness Training Center at Fort Polk and the National Training Center at Fort Irwin. Army National Guard divisions and brigades also participated in one mobilized and one standard Battle Command Training Program rotation, while four brigades conducted standard Brigade Command and Battle Staff Training Program rotations and seven mobilized rotations. Roughly 8% of the ARNG's end-strength (or 28,211 Soldiers) conducted training at or in association with the Army's training facilities at a cost of approximately \$32 million.

## **JOINT READINESS TRAINING CENTER, FORT POLK**

The normal brigade rotation at the Joint Readiness Center (JRTC) was replaced by the mobilization of the 30th Brigade (North Carolina) and 39th Brigade (Arkansas). A Virginia infantry battalion, 3-116, also mobilized and conducted a rotation at JRTC with a focus on stability and support operations prior to each unit's deployment to Iraq.

## **NATIONAL TRAINING CENTER, FORT IRWIN**

Due to Operations Enduring Freedom and Iraqi Freedom, the normal brigade training rotation at the National Training Center was replaced by the mobilization of the 81st Brigade Combat Team (Washington) and the 256th Brigade Combat Team (Louisiana). Both units conducted their Mobilization Rehearsal Exercise there in 2004. These rotations served as culminating events in their intensive training cycle for deployment to Iraq in support of Operation Iraqi Freedom. The brigades successfully completed their rotations and then deployed, trained and ready for their missions in theater.

## **COMBINED ARMS CENTER, FORT LEAVENWORTH**

Through the Army National Guard's Battle Command Training Center (BCTC), the U.S. Army's Combined Arms Center at Fort Leavenworth, Kansas, supported the 28th Infantry Division during their Battle Command Training Program rotation in 2004. The 42nd Infantry Division conducted a Mission Rehearsal Exercise at the BCTC in preparation for its deployment. Six Brigade Command and Battle Staff Training Program seminars were also conducted throughout the nation. More than 15,500 ARNG Soldiers participated in these types of training events throughout the fiscal year.

## **FORCE-ON-FORCE TRAINING**

The Army National Guard Force-on-Force Training Program supported the readiness of the 33 Brigade Combat Teams (BCT) and one Stryker Brigade by pitting them against maneuver task forces formed from elements of another BCT. Each gained valuable wartime training by deploying from traditional home station training sites. Free play force-on-force battles were conducted using laser-targeting systems to replicate live ammunition. More than 1,350 Soldiers from ARNG brigades participated in force-on-force training events during the year.

The Army National Guard has provided a ready and relevant military intelligence force and has ensured the security of the force, its equipment, and facilities through effective programming, planning, and policy implementation.

## INTELLIGENCE

The General Purpose Intelligence Readiness (GPIR) Program supports additional military intelligence training opportunities designed to improve the operational readiness of intelligence units and Soldiers by enhancing and sustaining the low-density, perishable, high cost skills of intelligence professionals. This training is done by supporting individual and collective training through peacetime support of intelligence production, collection, and analysis to meet operational requirements. In FY04, GPIR funding, in addition to 15-day statutory Annual Training periods, accounted for \$3.7 million. Additionally in FY04, the Army National Guard received \$4.8 million from the Defense Intelligence Agency, the National Security Agency, the U.S. Army Intelligence and Security Command, the Foreign Military Studies Office, the Defense Language Institute, and U.S. Southern Command for 103 Soldiers to perform duty in support of real-world intelligence missions for these organizations.

The Army Language Program supports Command Language Programs by providing resources for the maintenance, sustainment, and enhancement of foreign language skills. During FY04, nine states received approximately \$575 thousand (from National Guard Personnel, Army Appropriation) and approximately 425 Soldiers were trained in a foreign language sustainment program. Additionally, three language labs and study materials were provided for 325 Soldiers.

The Army National Guard Physical Security Program is designed to safeguard ARNG personnel, equipment, and facilities as funds are allocated to states for employment of security guard personnel (not police officers). Physical security funding accounted for \$126.3 million to support force protection with 1,944 Soldiers serving 692,851 mandays.

## ANTITERRORISM

The Army National Guard Antiterrorism Program is designed to protect ARNG Soldiers, civilian employees, family members, information, facilities, and equipment in all locations and situations against terrorism. It centers on planning, training, exercising, and creating awareness. In FY04, Antiterrorism Program funding accounted for \$3.3 million, divided between full-time contract support and Vulnerability Assessments (70%) and Antiterrorism Training (30%).

## INFORMATION OPERATIONS

The Army National Guard's Information Operations (IO) Program continued its progression during FY04. Technically- and tactically-focused units supported the warfighting commanders and provided protection for the nation's critical information infrastructure across the operational continuum. The Information Operations Program developed and delivered training, deployed trained IO Soldiers in support of peacekeeping in Bosnia and Kosovo, and mobilized in support of Operations Noble Eagle, Enduring Freedom, and Iraqi Freedom to perform worldwide missions. The ARNG Information Operations Program continued to provide operational support to III Corps, I Corps, U.S. Pacific Command, U.S. Northern Command, and U.S. Strategic Command exercises.

## DOMESTIC SUPPORT

Domestically, the Army National Guard provided 549,868 mandays in 48 states and 2 territories to assist civil authorities in emergency support missions. As usual, the ARNG responded to a wide variety of emergencies throughout the nation. The most notable were Hurricanes Charley, Frances, Ivan, Jeanne, and Isabel. The continuing western drought kept wildfires an almost year-round challenge with action especially concentrated in the first and fourth quarters of FY04. Mandays

devoted to dealing with wildfires totaled 4,746. Flooding, especially in states east of the Mississippi River, was a constant menace with 13,221 mandays well used in assisting citizens in time of need.

## **HOMELAND SECURITY/HOMELAND DEFENSE**

The Army National Guard contributed significantly to the Global War on Terrorism by securing key assets and events throughout the nation.

An ARNG general officer commanded a joint task force to secure the G8 Summit in Sea Island, Georgia. The Georgia Army National Guard, along with National Guard units from other states, met every challenge, providing 36,592 mandays in order to ensure a safe and well-ordered conference for world leaders. The Army National Guard provided joint leadership and 6,475 mandays to provide security support to the Democratic National Convention in Boston and the Republican National Convention in New York.

## **DEPLOYMENTS/MOBILIZATIONS**

Soldiers from the Army National Guard were deployed around the world in FY04 supporting the Global War on Terrorism. Approximately 149,790 Soldiers from the ARNG served on active duty during FY04 and provided 29,909,725 mandays to the Combatant Commanders. More than half of the Soldiers mobilized were in infantry (27,572), engineer (21,292), field artillery (18,168), or armor units (16,151).

While Operation Iraqi Freedom received the most support from the ARNG, it was not the only mission that was supported during FY04. Mobilized Army National Guard Soldiers served in Europe, South America, Asia, Africa, and the United States.

## **SUPPORT TO COMBATANT COMMANDERS**

### **U.S. CENTRAL COMMAND (USCENTCOM)**

Of the nearly 30 million mandays provided by mobilized ARNG Soldiers, 71% were provided to the USCENTCOM Commander in support of Operations Iraqi Freedom and Enduring Freedom. During FY04, 94,851 Army National Guard Soldiers served in support of Operation Iraqi Freedom. In the first quarter of FY04, the ARNG mobilized three brigade combat teams for Operation Iraqi Freedom: the 30th from North Carolina, the 39th from Arkansas, and the 81st from Washington. These units deployed to Iraq in March 2004. In the third and fourth quarters of FY04, the Army National Guard mobilized an additional six brigades: the 116th from Idaho, the 29th from Hawaii, the 256th from Louisiana, the 155th from Mississippi, the 56th Brigade of the 36th Division from Texas, and the 278th from Tennessee. These units will deploy to Iraq in early FY05. In addition to the six brigades, the 42nd Infantry Division Headquarters mobilized for the next rotation of Operation Iraqi Freedom. In addition to the brigades mobilized in support of Operation Iraqi Freedom, the 45th Brigade from Oklahoma completed its Afghan National Army training mission in the fourth quarter; this mission was assumed by the 76th Brigade from Indiana.

Due to the cancellation of the biannual exercise Bright Star, which usually involves more than 1,500 ARNG Soldiers, fewer than 100 ARNG Soldiers performed their Annual Training within the USCENTCOM area of operations, primarily in support of exercise Regional Cooperation 04.

## **U.S. NORTHERN COMMAND (USNORTHCOM)**

During FY04, the Army National Guard supported USNORTHCOM primarily by serving on security missions at U.S. Air Force bases and other U.S. military installations and sites critical to national security. In addition to the security missions, ARNG Soldiers served in critical staff positions supporting the Global War on Terrorism and also expanded the capacity of training and mobilization installations to support the increased requirements. Roughly 31,937 mobilized Soldiers served in the continental United States during FY04, providing 7,065,939 mandays.

The Army National Guard also supported USNORTHCOM through participation in two major exercises and training events in FY04. The multi-level command exercise, Unified Defense 04, was conducted in Texas where ARNG participation included 45 Soldiers. Another multi-level command exercise, Determined Promise 04, was conducted in Virginia and California. Army National Guard participation totaled 250 Soldiers, including state emergency operations center and response cells, and Joint Chiefs of Staff participants.

## **U.S. EUROPEAN COMMAND (USEUCOM)**

Approximately 10,715 mobilized Soldiers served in Europe in support of USEUCOM during FY04 and provided 1,536,154 mandays. These Soldiers primarily served in Bosnia, Kosovo, and the Sinai. The Bosnia mission has neared completion, and will transition from the stabilization phase that required more than 1,500 Soldiers to approximately 100 in FY05. The Kosovo mission requires another 1,500 Soldiers, but will reduce to less than 1,000 in FY05. The Sinai mission requires one infantry battalion of approximately 425 Soldiers. The Army National Guard had the lead on all of these peacekeeping missions. These three missions were rotated between National Guard Divisions; the 28th from Pennsylvania, the 34th from Minnesota, and the 38th from Indiana all had Soldiers serving on these missions.

In addition to peacekeeping missions, ARNG Soldiers performed security at Air Force bases in Europe and other U.S. installations. More than 5,100 Soldiers deployed to Lithuania, Latvia, Estonia, Mali, Morocco, United Kingdom, Azerbaijan, Poland, Bulgaria, France, Belgium, South Africa, Ukraine, Norway, Italy, and various locations in Germany to support the Combatant Commander Europe. Missions ranged from military exercises, engineer troop construction projects, aviation maintenance support, direct and general support maintenance, finance and postal support, medical support, linguist and counterintelligence missions, and signal support.

## **U.S. SOUTHERN COMMAND (USSOUTHCOM)**

The Army National Guard deployed 2,569 Soldiers to the Caribbean, Central America, and South America throughout FY04. The majority of these forces supported the USSOUTHCOM Combatant Commander's continued long-held support and engagement relationships with United States Army South (2,030 Soldiers participated in New Horizons exercises). ARNG support to the region is projected to remain near these levels in future years. The Army National Guard provided 51,218 mandays and support totaling more than \$3 million to U.S. Southern Command during FY04.

## **U.S. PACIFIC COMMAND (USPACOM)**

The Army National Guard was active in supporting mission requirements in the USPACOM during FY04. Participation was almost twice that of the previous year with more than 3,170 ARNG Soldiers participating in a variety of operations. These included Joint Chiefs of Staff-sponsored exercises known as COBRA Gold, Yama Sakura, Foal Eagle, RSOI, Balikatan, and Ulchi Focus Lens. The

ARNG provided 57,156 mandays totaling \$6.7 million to support the U.S. Pacific Command in FY04.

## **U.S. JOINT FORCES COMMAND (USJFCOM)**

The Army National Guard provided primary support to USJFCOM through participation in continental United States-based exercises. More than 1,500 ARNG combat support and combat service support Soldiers conducted joint and combined arms training in multiple major exercises including Patriot and CJTFEX. These exercises directly supported Army integration, joint service training, and ultimately the National Military Strategy.

## **U.S. SPECIAL OPERATIONS COMMAND (USSOCOM)**

The nation's only Reserve Component special forces capability resides in the Army National Guard's 19th and 20th Special Forces Groups (SFGs). The 19th SFG focuses its support on the USPACOM and USEUCOM theaters, while the 20th SFG focuses its support on the USSOUTHCOM theater. The three battalions of the 19th SFG and the three battalions of 20th SFG each have a Directed Training Affiliation with an Active Duty Special Forces Group. As part of the Global War on Terrorism, both 19th and 20th Groups provided forces in support of operations in Afghanistan and Iraq. In spite of wartime mobilizations and increased operational tempo, the 19th and 20th SFG were able to conduct some of their Joint Combined Exchange Training and Operation Mission Support in FY04.

## **INNOVATIVE READINESS TRAINING**

Innovative Readiness Training continued to be one of the most valuable training opportunities the Army National Guard offers its Soldiers with incidental benefits to the communities within which these projects occur. In California, as part of Task Force Grizzly, a United States-Mexican border fence construction project, Soldiers constructed fencing, built roads, and created drainage ditches which will help U.S. Immigration officers more effectively patrol the border. In Alaska, as part of Alaska Road, Soldiers continued work on a 15-mile road on Annette Island that will connect the indigenous Metlakatla Indians with a port. Task Force Douglas in Arizona continued to provide Task Force Grizzly-like training opportunities, while Task Force Benedum in West Virginia provided engineer training opportunities as it improved the airport and its runway. Other smaller projects included medical care being provided to under-served Indian populations in western states and building roads and trails in addition to bridges and parking areas to support the Lewis and Clark trail. More than 7,000 Soldiers from over half the states and territories participate annually in missions that integrate required training into community support projects.

# INFORMATION FOR INDIVIDUAL STATES AND TERRITORIES

Through its community-based organization, federal funding for Army National Guard activities provides an economic benefit to communities nationwide as the money received is turned over several times in every segment of the nation.

This unique presence is financially supported through a mixture of federal and local funding in each state, the territories of Guam, Puerto Rico, and the Virgin Islands, and the District of Columbia. Federal funding occurs in the form of military pay and allowances, operating funds for civilian payrolls and purchase of goods and services, and through capital investments in military construction projects.

In deriving the economic impact data for FY04, financial information was collected from the official accounting records for the Army National Guard as of September 30, 2004. The information for each state and territory was accelerated by 1.776 times to reflect the economic money multiplier effect of dollars in action throughout the nation's communities. The component pieces of each category are included on the attached compact disc and on the web version of this report. Also, data specific to each state is located on the compact disc and web versions under that state.

## ALABAMA

During FY04, the Alabama Army National Guard (ALARNG) continued to play a major role in the Global War on Terrorism. While more than 3,000 Soldiers returned home after spending 8-12 months in Iraq, nearly 1,600 ALARNG members deployed to Iraq in the second rotation of troops. Stateside, Alabama Guard members responded to the first major state emergency in nine years after Hurricane Ivan hit in mid-September.

## ALASKA

In FY04, defending the homeland took on new meaning for several dozen members of the Alaska Army National Guard (AKARNG) as they deployed, with other federal and state public safety officers, in response to credible threats made against the Port of Valdez during the holiday season. Small teams of AKARNG Soldiers continued to be called to duties in Afghanistan, Kuwait, and Iraq during FY04.

## ARIZONA

Continuing in FY04, the Arizona Army National Guard's (AZARNG) motto is "Always Ready...Always There." More than 2,700 Arizona National Guard members have answered the call and been ordered to federal active duty in support of Operations Noble Eagle, Enduring Freedom, and Iraqi Freedom since September, 2001. The AZARNG was "Always Ready...Always There" when called to protect the state and homeland by supporting local emergency responders for state emergencies and providing security for critical infrastructures when called.

## ARKANSAS

During FY04, the 39th Infantry Brigade mobilized in support of Iraqi Freedom II, bringing the total number of mobilized Arkansas Army National Guard (ARARNG) Soldiers to more than 5,000. In the spring, the ARARNG welcomed home returning units from Iraq which were mobilized in 2003. 1/142 Field Artillery Battalion received the upgraded M270A1 Multiple Launch Rocket System and the 212th Signal battalion received the latest in digital battlefield communications.

## CALIFORNIA

While participation in the Global War on Terrorism was its overriding concern in FY04, the California Army National Guard (CAARNG) also responded to state emergencies and focused on improving readiness. More than 9,555 California Army National Guard Soldiers have mobilized since September 11, 2001; approximately 3,000 CAARNG members deployed in FY04 to a variety of locations. The CAARNG improved its capability to respond to weapons of mass destruction incidents through the creation of a special response team.

## COLORADO

During FY04, while approximately 279 Colorado Army National Guard (COARNG) members deployed in support of global operations, more than 1,195 COARNG members demobilized. Approximately 132 Colorado Army National Guard members redeployed during this same period. The Colorado National Guard participated in its first joint-force chemical exercise involving hundreds of personnel and millions of dollars worth of equipment. Colorado was among the first to execute this detailed level of decontamination and mitigation training.

## CONNECTICUT

During FY04, the Connecticut Army National Guard (CTARNG) engaged in many activities concurrent with its state and federal mission. Many Soldiers who had deployed in support of Operations Enduring Freedom, Iraqi Freedom, and Noble Eagle returned home. The CTARNG lost one Soldier in Iraq and 13 Soldiers received the Purple Heart. Connecticut's Counterdrug Program executed more than \$1 million in conjunction with federal, state, and local law enforcement agencies to support drug interdiction and demand reduction activities.

## DELAWARE

The Delaware Army National Guard (DEARNG) continued to fight the Global War on Terrorism through deployments, training, and other initiatives. DEARNG Soldiers supported operations centers at the Pentagon and National Guard Bureau. Medical and legal experts served in Afghanistan in support of Operation Enduring Freedom. Homeland defense in the state was bolstered by the establishment of a Joint Operations Watch Center and a National Guard Reaction Force to assist the Governor; military commander; or local, state, and federal agencies.

## DISTRICT OF COLUMBIA

During FY04, District of Columbia Army National Guard (DCARNG) Capital Guardians continued to fight the war on terrorism. DCARNG units deployed throughout the Persian Gulf region and in the U.S. to protect critical assets in support of new homeland defense missions. District of Columbia Army National Guard units deployed to Iraq, Afghanistan, and Guantanamo Bay, Cuba, while other units simultaneously defended local sites such as the Pentagon, Bolling Air Force Base, and the U.S. Capitol.



## FLORIDA

The Florida Army National Guard (FLARNG) was active in FY04 performing federal missions in the United States as well as around the world supporting the Global War on Terrorism. As FY04 came to a close, the FLARNG was called to an unprecedented task-provide federal and state personnel and resources to combat four major hurricanes in Florida within a six-week span. Federal funding and resources remain crucial to the success of the Florida National Guard.

## GEORGIA

FY04 was full of activity for the Georgia Army National Guard (GAARNG). The GAARNG participated in state and federal missions throughout the year, including successful deployments in a wide variety of locations inside and outside the United States in support of the Global War on Terrorism, hosting a national special security event, and assisting in hurricane damage clean-up in Florida. GAARNG members returned home from deployments in support of Operations Iraqi Freedom, Enduring Freedom, and Noble Eagle.

## GUAM

The Guam Army National Guard (GUARNG) successfully confronted and overcame worldwide and local challenges during FY04. The brisk operations tempo continued from the previous year as real-world missions were the command's priority. The GUARNG deployed its largest contingent of Soldiers since the end of the Persian Gulf Conflict. The GUARNG was also able to meet the needs of the community by conducting its state mission when Soldiers conducted restoration missions following three tropical storms that skirted the island.

## HAWAII

The Hawaii Army National Guard's (HIARNG) 29th Separate Infantry Brigade received a warning order on July 2 and was mobilized for Operation Iraqi Freedom on August 16, forming the 29th Brigade Combat Team. More than 2,000 HIARNG Soldiers reported for active duty and are currently training at Fort Bliss, Texas, before they deploy to Iraq in February or March, 2005. This will be the largest deployment of Hawaii Army National Guard Soldiers since World War II.

## IDAHO

Undoubtedly, the most significant event to affect the Idaho Army National Guard (IDARNG) during FY04 was the alert, mobilization, and deployment of the 116th Cavalry Brigade in support of Operation Iraqi Freedom. Idaho's Joint Force Readiness Center, a 7,700 square foot center housing the offices of the IDARNG's communications, legal, personnel, and other directorates, opened during FY04. The Idaho Army National Guard proudly carries on its 127 year tradition of service to the state and the nation.

## ILLINOIS

Illinois Army National Guard (ILARNG) units supported Operation Enduring Freedom and Operation Iraqi Freedom during FY04, including deployments of more than 2,300 members to Afghanistan, Iraq, and Kuwait. Approximately 900 Soldiers returned from the Persian Gulf where they supported Operation Iraqi Freedom. Other ILARNG members supported Annual Training at the National Training Center, participated in Operation Bulwark in Bulgaria, and participated in Mission Rehearsal Exercises in the Republic of Korea.

## INDIANA

During FY04, the Indiana Army National Guard (INARNG) welcomed many Soldiers home from overseas deployments and continued to prepare many others for mobilization. The Camp Atterbury Mobilization Station, one of only two in the National Guard, continued to process Soldiers from Indiana and all over the country. The INARNG placed 132 Soldiers on state active duty to support and aid victims of several tornadoes that stormed through Indiana on Memorial Day.

## IOWA

FY04 proved to be a year of transformation, re-engineering, and reorganization for the Iowa Army National Guard (IAARNG), resulting in missions that provided more visibility, viability, and relevance. The IAARNG continued to lead the way in providing combat-ready personnel for its federal mission. While five armories closed in FY04, new ones are being built. Iowa was recently recognized as one of the top programs for Army Communities of Excellence, garnering honors for Gold Division, Third Place.

## KANSAS

At the end of FY04, nearly 1,400 Kansas Army National Guard members served in the Global War on Terrorism. The environmental section was awarded the Army Environmental Award for Environmental Quality, which came after receiving the National Guard Bureau Environmental Security Award and the Eagle Award, all national-level awards for great environmental stewardship. Numerous Partnership for Peace activities occurred in Kansas and Armenia. Planning began for celebrating 150 years of the Kansas National Guard.

## KENTUCKY

The Kentucky Army National Guard's (KYARNG) number one success story for FY04 was recruiting. Kentucky led the nation by surpassing its goal with a net gain of more than 350 Soldiers during FY04. A participant in the Global War on Terrorism from the beginning, the KYARNG has mobilized nearly 5,000 Soldiers since September 11, 2001. Domestically, Bluegrass Station was another KYARNG success story in FY04 as it brought more than 1,500 jobs to the former U.S. Army Depot.

## LOUISIANA

The Louisiana Army National Guard (LAARNG) served admirably and selflessly overseas and stateside during FY04 in support of Operations Enduring Freedom, Iraqi Freedom, and Noble Eagle. Support for the LAARNG was unparalleled as families, friends, and neighbors rallied behind more than 5,000 Soldiers activated for federal duty. The LAARNG sent more than 200 Soldiers to Florida to assist in hurricane recovery efforts and more than 1,800 Soldiers assisted in Louisiana during and after Hurricane Ivan.

## MAINE

FY04 was momentous for the Maine Army National Guard (MEARNG) as the year began with a nearly 20% mobilization/deployment rate and ended over 50%. The MEARNG was recognized as one of the top 5 states for success in Military Occupational Skill Qualifications and one of the top 10 in Logistics/Maintenance System effectiveness. The Maine Regional Sustainment Maintenance Site grew to over 300 employees and a \$44 million annual budget.

## MARYLAND

During FY04, the Maryland Army National Guard (MDARNG) mobilized approximately 1,200 Soldiers for the Global War on Terrorism and other operations at home and overseas. MDARNG members deployed to Afghanistan, Iraq, Kosovo, as well as locations in the U.S. More than 600 MDARNG members responded to Hurricane Isabel. The Maryland Army National Guard was one of the first Army National Guard organizations to be equipped with the Shadow 200 Tactical Unmanned Aerial Vehicle.

## MASSACHUSETTS

FY04 featured continued support for the Global War on Terrorism by the Massachusetts Army National Guard (MAARNG). The MAARNG mobilized more than 2,000 Soldiers, approximately 600 of which served overseas in support of Operation Enduring Freedom, Operation Iraqi Freedom, and other missions. Mobilizations since September 11, 2001 have prepared the MAARNG for striking a balance between assisting mobilizing units, supporting civilian first-responders, and maintaining the readiness of the remaining units.

## MICHIGAN

Nearly 1,000 members of the Michigan Army National Guard (MIARNG) were called to active duty during FY04, serving in multiple locations domestically as well as in Iraq and Cuba. The 51st Weapons of Mass Destruction Civil Support Team successfully completed their First Army Recertification Evaluation. The MIARNG completed more than 10 Joint Contact Training Events; a Military, Business and Civic Leaders Tour; and Operation Summer Shield 2004; with the country of Latvia through the State Partnership Program.

## MINNESOTA

The Minnesota Army National Guard (MNARNG) actively engaged in serving its state and nation in FY04. Approximately 4,600 Soldiers have supported Operation Noble Eagle, Operation Enduring Freedom, and Operation Iraqi Freedom. The MNARNG completed more than 8,500 community support hours during FY04. The Minnesota Army National Guard ended the year at 107.6% of its assigned strength, ranking first in the nation for recruiting performance.

## MISSISSIPPI

The Mississippi Army National Guard (MSARNG) continued to mobilize Soldiers in support of Operations Iraqi Freedom, Enduring Freedom, and Noble Eagle during FY04. Mississippi's premiere training site at Camp Shelby was named a First U.S. Army Mobilization Center for deploying units in support of Operation Iraqi Freedom. More than 900 MSARNG men and women were called to active duty to process and assist in the training of 4,000 Soldiers.

## MISSOURI

Missouri Army National Guard (MOARNG) members were actively involved in the Global War on Terrorism both at home and abroad during FY04. More than 3,000 MOARNG Soldiers deployed in support of Operation Iraqi Freedom to undertake vital combat engineer support and reconstruction of Iraq's infrastructure. On the home front, the Missouri Army National Guard became one of the first to organize a decontamination enhanced response force and successfully earn accreditation by Fifth Army's Civil Support Training Group.

## **MONTANA**

The Montana Army National Guard experienced an increase in deployments in support of Operations Enduring and Iraqi Freedom during FY04. At one point in the year, the Montana National Guard had 55% of its service members mobilized or alerted. A large delegation from Montana traveled to Kyrgyzstan for a historic State Partnership program visit in FY04. Major General Prendergast retired as the Adjutant General, leaving the command and control of Montana's largest military force to Major General Randy Mosley.

## **NEBRASKA**

The Nebraska Army National Guard (NEARNG) supported military operations overseas and in the United States during FY04. Approximately 600 NEARNG members deployed for Operation Iraqi Freedom II and III. The Nebraska Army National Guard unveiled a new initiative to demobilize more than 375 Soldiers in Nebraska instead of at Army mobilization bases. Home station demobilization and family support undoubtedly helped the Nebraska Army National Guard meet its FY04 end-strength objective.

## **NEVADA**

Nevada Army National Guard (NVARNG) entered FY04 continuing to support the Global War on Terrorism. By the end of FY04, Nevada again had nearly one third of assigned strength mobilized in the continental U.S. and outside the continental U.S. More than 100 NVARNG members provided security to more than 5,000 attendees and exhibitors during the National Guard Association Conference in Las Vegas where President Bush and Senator Kerry spoke.

## **NEW HAMPSHIRE**

In FY04, the New Hampshire Army National Guard (NHARNG) performed its federal and state missions with a high level of dedication and professionalism. All or portions of all NHARNG combat support and combat service support units were alerted or deployed overseas, amounting to more than 1,000 Soldiers or more than half of NHARNG's force. Stateside, NHARNG units completed successful training years with a renewed emphasis on homeland security and military assistance to civilian authority missions.

## **NEW JERSEY**

During FY04, the New Jersey Army National Guard (NJARNG) began its largest mobilization of troops since World War II. State active duty missions supplemented ground defense to New Jersey's two nuclear power plants. Army National Guard units assisted the citizens of New Jersey during two severe storms that caused flooding. The NJARNG also performed security support roles for the Republican National Convention in New York City.

## **NEW MEXICO**

In FY04, the New Mexico Army National Guard deployed 17 units and more than 1,200 Soldiers (40% of the force) for Operations Noble Eagle, Enduring Freedom, and Iraqi Freedom. Homeland missions included strengthening the border between New Mexico and Mexico; establishing unclassified and classified high speed voice and data links with Combatant Commanders and National Guard Bureau to maintain continuous situational awareness; and executing \$1.3 million on environmental projects.

## NEW YORK

In FY04, the New York Army National Guard continued to experience high mobilization rates. A historic Joint Task Force for the Republican National Convention was created to provide additional security support to the civil authorities in New York City. National Guard and active duty forces came together under exclusive provisions of a declared National Special Security Event, and for the first time, a National Guard officer was placed in command of both active duty and Guard forces.

## NORTH CAROLINA

FY04 was notable, as North Carolina Army National Guard (NCARNG) members have not been so engaged around the state, nation, and the world since World War I. Since the terrorist attacks of September 11, 2001, more than 7,500 Soldiers and Airmen have answered the call to active duty. At home, NCARNG Soldiers deterred, defended, and defeated terrorist threats as part of the Weapons of Mass Destruction-Civil Support Team and the state's battalion-sized Quick Reaction Force.

## NORTH DAKOTA

The North Dakota Army National Guard (NDARNG) continued to respond to increased demands of personnel and resources in support of FY04 missions. The NDARNG mobilized more than 2,880 Soldiers in response to Operation Noble Eagle, Operation Enduring Freedom, and Operation Iraqi Freedom. The NDARNG partnered with the African country of Ghana in the State Partnership Program. Headquarters Company of the 164th ECB won the coveted Connelly award declaring them the best National Guard mess section in the country.

## OHIO

During FY04, the Ohio Army National Guard (OHARNG) contributed greatly to the Global War on Terrorism. Ohio citizen-Soldiers served more than 965,000 mandays to support anti-terrorism efforts and to secure the homeland. OHARNG mobilized and deployed more than 3,000 citizen-Soldiers, most of whom deployed overseas in support of Operation Iraqi Freedom. Ohio's Joint Force Headquarters again deployed several mobilization teams to assist mobilizing units and ensure they deployed at the highest state of readiness possible.

## OKLAHOMA

In FY04, the Oklahoma Army National Guard (OKARNG) had its highest rate of real-world deployments since the Korean War. More than 50% of OKARNG Soldiers were deployed or on alert during the height of the deployments. More than 800 Soldiers deployed as a part of Task Force Phoenix, a training mission to prepare members of the Afghanistan National Army prior to their national elections. An additional 600 Soldiers deployed to Kuwait and Iraq as part of Operation Iraqi Freedom.

## OREGON

Soldiers of the Oregon Army National Guard (ORARNG) repeatedly proved their combat efficiency, mettle, and the value they provide to the state of Oregon throughout FY04. ORARNG's 41st Separate Infantry Brigade led 12 states and territories in Operations Pinion Canyon '04 and Bayonet Thrust '04; they are among the largest exercises in the U.S. The Oregon Army National Guard also continued its support of homeland defense and Operation Noble Eagle in FY04.

## **PENNSYLVANIA**

The Pennsylvania Army National Guard (PAARNG) continued as one of the largest Guards in the nation in FY04. With 15,500 members, Keystone state Soldiers were also among the most deployed. Actively engaged in the Global War on Terrorism, PAARNG Soldiers deployed to Iraq, Afghanistan, Kuwait, Qatar, and Kosovo. Tragically, three Pennsylvania Army National Guard Soldiers were killed in the line of duty in 2004. PAARNG Soldiers also supported critical security missions in the commonwealth.

## **PUERTO RICO**

The more than 11,000 dedicated members of Puerto Rico Army National Guard's (PRARNG) "Unique Bilingual Force" met the challenges of FY04. Soldiers from Operations Noble Eagle, Enduring Freedom, and Iraqi Freedom returned while special units and key personnel deployed to Kuwait, Iraq, and Afghanistan under Operations Noble Eagle and Iraqi Freedom II. Successful reception and reconstitution of the force was the main effort in FY04. More than 1,000 PRARNG Soldiers mobilized for homeland defense.

## **RHODE ISLAND**

During FY04, the Rhode Island Army National Guard (RIARNG) responded to major changes within the United States and the world in light of the Global War on Terrorism and the continued campaigns in Afghanistan and Iraq. Since September 11, 2001, 78% of all RIARNG members deployed at least once. Rhode Island hosted two major events, the 13th Annual Rhode Island National Guard Open House and Air Show, and the 22nd Annual Leapfest International Military Parachute Competition.

## **SOUTH CAROLINA**

The South Carolina Army National Guard (SCARNG) continued to play an active and vital role in the Global War on Terrorism and in support of homeland defense. During FY04, the SCARNG activated the largest deployment in the state since World War II. The South Carolina Army National Guard was tasked to identify an Infantry Battalion to serve and respond as a Quick Reactionary Force to augment and supplement local authorities for planned events.

## **SOUTH DAKOTA**

By February of FY04, more than half of the South Dakota Army National Guard (SDARNG) was serving in the Middle East. Approximately 74% of its members have mobilized to support Operations Iraqi Freedom, Noble Eagle, and Enduring Freedom since September 11, 2001. The SDARNG expended 335 workdays and training days in support of state missions such as fire-fighting and search and rescue missions. The SDARNG ranked 3rd in the ARNG Director's Strength Management Assessment for Recruiting, Retention, and Attrition Management.

## **TENNESSEE**

Since the tragic events of September 11, 2001, the Tennessee Army National Guard (TNARNG) has mobilized and deployed more than 7,000 Soldiers in support of Operations Noble Eagle, Enduring Freedom, and Iraqi Freedom. At the end of FY04, more than 800 Soldiers deployed outside the continental U.S., while more than 3,200 Soldiers prepared for deployment. During the past year, TNARNG Soldiers served in Iraq, Kuwait, Afghanistan, Kosovo, Germany, and Japan.

## TEXAS

The Texas Army National Guard (TXARNG) continued to mobilize more of its members throughout FY04. Mobilization of the 56th Brigade was the largest call-up of Texas Guard members since World War II. Re-designation of the 49th Armored Division to the 36th Infantry Division reflected ongoing transformation from heavy armored forces to lighter, more versatile forces. Homeland defense training included mass decontamination exercises by chemical and medical specialists. Meanwhile, TXARNG members continued community support.

## UTAH

The Utah Army National Guard (UTARNG) experienced robust activity in FY04. The ongoing support of the Global War on Terrorism consumed most training time. Since 2001, the Utah Army National Guard has deployed over 80% of its Soldiers. In addition to supporting the federal mission, the UTARNG continued to actively participate in local and state training opportunities as well as overseas deployments in support of Wartrace missions. The Utah Army National Guard began a State Partnership Program with Morocco.

## VERMONT

The Vermont Army National Guard (VTARNG) prepared its units for federal service in support of Operation Iraqi Freedom and Operation Enduring Freedom during FY04. VTARNG Soldiers conducted a highly successful two-phased mission to train and mentor Soldiers and leaders of the Afghan National Army. Nearly 1,100 Soldiers have undergone soldier readiness processing. The Joint Forces Headquarters has conducted and managed this process while it also started its transformation to a new organization structure.

## VIRGINIA

The Virginia Army National Guard (VAARNG) continued to serve community, commonwealth, and country during FY04 as it has since 1607. Many of the 7,500 Soldiers have recently or are currently serving on active federal duty across the United States and around the world. The commonwealth sustained its first combat fatalities since World War II. Throughout FY04, the VAARNG was consistently able to meet each state and federal mission it received.

## VIRGIN ISLANDS

The Virgin Islands Army National Guard (VIARNG) was called upon to serve in the Global War on Terrorism in FY04. VIARNG troops were trained and ready to perform wartime missions and units received all the necessary resources to remain a ready force. During FY04, the VIARNG provided support and received training on the U.S. mainland at Camp Shelby, Mississippi and Fort Polk, Louisiana. Soldiers deployed to Honduras in support of the Combatant Commander United States Army Southern Command.

## WASHINGTON

The Washington Army National Guard (WAARNG) continued to sustain quality units of trained and ready citizen-Soldiers with task-focused objectives to assist the citizens and communities of Washington State and the nation in FY04. More than 3,200 WAARNG Soldiers deployed to Iraq, Afghanistan, and other locations throughout the world in support of Operations Noble Eagle, Enduring Freedom, and Iraqi Freedom. The Washington Army National Guard continued to develop community-based initiatives.

## WEST VIRGINIA

The West Virginia Army National Guard (WVARNG) continued its commitment to the nation's foreign and domestic defense needs. During FY04, Soldiers returned from active duty while others mobilized to Iraq and Afghanistan. The WVARNG continued to contribute to homeland defense efforts as members supported Operation Noble Eagle. Camp Dawson was designated as the location for the new Joint Interagency Training Center-East and will provide essential training to prepare first-responder organizations and agencies.

## WISCONSIN

FY04 began with 1,321 Wisconsin Army National Guard (WIARNG) Soldiers on active duty in support of Operations Noble Eagle, Enduring Freedom, and Iraqi Freedom; 914 were at overseas locations. By the end of FY04, the number of mobilized Soldiers decreased slightly to 1,184. While the WIARNG continued to support world missions, homeland defense and security remained mission number one. Wisconsin joined all states and territories at the end of FY04 to establish a Rapid Reaction Force.

## WYOMING

It was business as usual for the Wyoming Army National Guard (WYARNG) in FY04, meaning Soldiers experienced or prepared for 365 days of "boots on the ground" as part of Operation Iraqi Freedom. The successful legislative session ensured financial assistance for families of deployed Wyoming military personnel was available, whether they are active duty, reserve, or National Guard. Because long-term and frequent deployments became more common, the WYARNG increased outreach efforts for civilian employers.



## COMPTROLLER AREA OF RESPONSIBILITIES

The Army National Guard is primarily supported by two appropriations: Operations and Maintenance, Army National Guard (OMNG) and National Guard Personnel, Army (NGPA). The ARNG deployed more than 81,000 Soldiers on average during FY04 to prosecute the Global War on Terrorism. These deployments included Operations Noble Eagle, Enduring Freedom, and Iraqi Freedom, as well as other contingency operations in Southwest Asia. Throughout FY04, the mission of the Army National Guard remained to provide units with trained and ready Soldiers.

The needs of Soldiers, both on and off the battlefield, are the primary purpose of the Operations and Maintenance and National Guard Personnel, Army Appropriations. The National Guard is the “Minuteman,” ready to roll out on a moment’s notice to provide for the needs of America today and tomorrow. In order to be successful, the National Guard must obtain the resources necessary for these Soldiers to accomplish the mission and remain ready, reliable, relevant, and accessible.

### OPERATIONS AND MAINTENANCE, ARMY NATIONAL GUARD

The Operations and Maintenance, Army National Guard (OMNG) Appropriation funds the operational, logistical, and administrative support for Army National Guard forces. The FY04 OMNG Presidential Budget, congressional actions, provisions, and reprogramming actions provided a Total Obligation Authority of \$4.457 billion. During FY04, \$111,000 million was reprogrammed to OMNG from NGPA in support of Military Technician programs and other ARNG programs that emerged from the Global War on Terrorism and other congressional interest items.

### NATIONAL GUARD PERSONNEL, ARMY

The National Guard Personnel, Army (NGPA) Appropriation finances the costs to train, educate, and prepare Army National Guard Soldiers for their missions. The NGPA Presidential Budget, congressional actions, provisions, and reprogramming actions provided a Total Obligation Authority (TOA) of \$5.345 billion at the end of FY04. Included in the FY04 TOA was additional funding for Innovative Readiness Training and the Counter Drug Program. The ARNG provided an offset of \$138,234 million for Department of Defense Health Care and \$150 million in an OMNIBUS reprogramming (legislative bill which provides for a number of miscellaneous enactments or appropriations) to support higher priorities of the Department.

### MILITARY CONSTRUCTION NATIONAL GUARD

The FY04 Military Construction, Army National Guard (MCNG) Appropriation funded the following major construction projects: 24 readiness centers, 6 maintenance facilities, 7 fire stations, 2 armed forces reserve centers, 1 utilities replacement project, 1 training facility, 1 road project, 1 range, 1 levee project, 4 Army aviation facilities, and 1 working animal building. In addition to the 49 major projects listed above, the \$311 million FY04 appropriation included \$265 million for major construction, \$38 million for planning and design, and \$8 million for unspecified minor construction.

### FINANCIAL COMMUNITY HIGHLIGHTS

As in FY03, the Department of Defense (DoD) resource requirements to sustain operations for the Global War on Terrorism (GWOT) required careful balance in FY04. While more alerted units had longer notification of their call-ups, they required significant resources to meet the readiness

requirements directed by Combatant Commanders. This condition required the Army National Guard to assume risk and cash flow many items normally provided by the Active Component. This situation was exacerbated by the Department of the Army choosing to withhold cost avoidance (peacetime operations funding that would not be used by a mobilized and deploying unit) due to higher priorities of the Department, and because the FY04 GWOT supplemental did not include any significant amounts for National Guard appropriations. In spite of these challenges, ARNG leaders at all levels successfully prepared units for mobilization in the Global War on Terrorism, as testified by the outstanding record of service Army National Guard Soldiers have posted in support of Operations Enduring Freedom and Iraqi Freedom.

Over the course of FY04 the Army National Guard averaged approximately 81,000 Soldiers mobilized at any one time. While under significant personnel operating tempo (OPTEMPO), Congress funded the ARNG at normal peacetime levels, leaving any GWOT incremental increases to come from the supplemental appropriation act. This was an effective strategy for the Active Army; however, as virtually none of the supplemental was enacted for Army National Guard appropriations, the ARNG met Global War on Terrorism requirements through two factors, one planned and the other serendipitous.

First, the Department decided early in FY04 to withhold from all organizations projected cost avoidance funding based on planned mobilizations and deployments. This allowed DA to establish a central Global War on Terrorism fund, against which validated GWOT bills were matched and funded. Some of the Army National Guard requirements, such as the family readiness program and funds for medical and dental readiness, were covered in this manner.

Second, impacts of the Stop Loss policy coupled with a higher than expected personnel attrition rate (due in part to a relatively high unit and personnel OPTEMPO), a lower than expected recruitment effort left the Army National Guard with an end-strength shortfall for much of the fiscal year (averaging about seven to eight thousand below planned levels). This resulted in a lower execution of NGPA which was provided based on the higher end-strength of 350,000. Once this excess funding became apparent, the ARNG initiated a request (subsequently approved by Congress) to reprogram the surplus from NGPA into OMNG. This action enabled the Army National Guard to fund more than \$111 million in critical Global War on Terrorism needs, including force protection, family programs, Duty Military Occupational Skill Qualifications training, and organizational clothing and individual equipment procurement actions. Additionally, \$150 million was provided to the Army in the reprogramming action to mitigate shortfalls in the Operations and Maintenance, Army (OMA) Appropriation.

With more than 101,494 Guard members mobilized at the high point in FY04, there was a lot of speculation and interest from the Office of the Secretary of Defense (OSD) Comptroller and the Department about cost avoidance in the Army National Guard appropriations. During the mid-year review, the DA presented a \$5.9 billion OMA shortfall to OSD Comptroller. In order to help off-set the requirement, OSD looked at execution in the Reserve Components and concluded that the Army National Guard could provide \$367 million in OPTEMPO savings to support higher priorities of the Department. Given that execution of the OMNG Appropriation at the time of the review exceeded the plan by 3.5% and demands by the Combatant Commander to increase readiness levels from C3 to C1, the ARNG Comptroller argued successfully to consider cost avoidance in NGPA to help mitigate the OMA shortfall.

Given the challenges to meet end-strength, and increased reliance on the ARNG to source Global War on Terrorism, the National Guard Personnel, Army Appropriation became a source of cash for the Department. The Army National Guard was able to successfully support the Department, while at the same time fixing many of the emerging requirements in Operations and Maintenance brought about by the war effort. The ARNG was also able to fund emerging missions in the area of homeland security during the fiscal year with some of its cost avoidance. Based on an executive order from the President, the Army National Guard successfully supported the G8 Summit, the Democratic National Convention, and the Republican National Convention with forces, demonstrating its capability to defend the homeland both abroad and overseas. Additionally, the ARNG set up Joint Operations Centers to link assets from the Air and Army National Guards as well as civil authorities to give the Governors a new capability to react to potential terrorist threats and natural disasters. These new initiatives will be expanded in FY05 as the ARNG becomes a more integral partner in homeland security operations.

The Army National Guard maximized the execution of its peacetime budget in a time of war and successfully supported the Department in providing units at a higher level of readiness than ever resourced. As opposed to requiring a supplemental, the ARNG exercised cost avoidance to fix itself and support higher priorities. This is testimony of the comptroller community's hard work and dedication to support the Soldier. FY04 execution was at an all time high in the history of the Army National Guard thanks to support of its leaders. FY05 will be even more challenging as the ARNG looks for ways to support the nation on a budget that has been adjusted of the same cost avoidance that was the key enabler in supporting commanders and Soldiers during in FY04.

## **DISTRIBUTED LEARNING**

In an effort to offer effective and timely training to a large audience at minimal cost to the customer, the Army National Guard Financial Services Center began offering Distributed Learning (DL) classes in FY04. During FY04, 72 courses were offered for a total of 167 instruction hours. DL course topics included STANFINS, the ARNG's Automated Funds Control Order System, Funds Management, Military Pay, Mobilization, Reserve Component Student Loan Repayment, Technician Pay, and the Travel Charge Card Program. The Distributed Learning Program will be expanded in FY05 with the construction of a DL studio facilitating the addition of new financial training topics.

## **TRAVEL CHARGE CARD PROGRAM**

Increased leadership involvement regarding eliminating travel charge card abuse and reducing delinquency produced improved performance during FY04. The number of states, territories, and Army National Guard agencies exceeding the Department of Defense (DoD) goal of having no more than 4.5% delinquent dollars almost doubled from 14 exceeding the goal in August FY03 to 21 in August FY04. The goal for FY05 is to increase the number of states meeting the DoD goal by 50%. Leveraging technology through web-based training will enable us to achieve this goal in FY05. States, territories, and ARNG agencies utilizing these 21st century tools will ensure that Army National Guard travelers are fully mission capable to prosecute the Global War on Terrorism and protect our homeland.

## **GENERAL ACCOUNTABILITY OFFICE AUDIT OF PAY ISSUES FOR MOBILIZED ARNG SOLDIERS**

In response to Congressional concern and the General Accountability Office audit over the state of Army National Guard and reserve pay, the ARNG Financial Services Center spearheaded many

initiatives in FY04. The first was the establishment of a pay ombudsman for Army National Guard Soldier pay challenges. The second was education of Soldiers through the publication, “Citizen-Soldier’s Guide to Mobilization Finance” (a copy of which is provided to every mobilizing Soldier). These two cornerstone initiatives vastly improved the overall quality of ARNG pay support and reduced the time and effort required to resolve Soldier pay account discrepancies and questions. Success in this area was validated by the other Reserve Components (Air Force, Navy, and Marine) as they implemented their own pay improvement programs based on the Army National Guard model.

## **MOBILIZATION PAY SUPPORT SUSTAINMENT**

The Army National Guard Financial Services Center, along with the Defense Finance and Accounting Service (DFAS) Army military pay office in Indianapolis, Indiana, continued to support mobilized ARNG Soldiers through the issuance of finance guidance and the monitoring of military pay accounts. A Mobilization Team, comprised of a mix of Finance Soldiers, Department of Army civilians, and contract employees, provided online, telephonic, and on-site financial support to the 54 United States Property and Fiscal Offices (USPFOs) and the thousands of mobilized ARNG Soldiers deployed worldwide and their families at home during FY04. Initiatives addressed both systemic and individual pay issues, and have been well received within the ARNG community.

## **STANFINS CONVERSION**

Teaming with the Defense Finance and Accounting Service (DFAS), the Army National Guard transitioned the accounting of \$11 billion of available funding for program years FY99 through FY04 for all Army National Guard United States Property and Fiscal Offices from the ARNG’s legacy system, State Accounting Budget Execution Reservation System, to the Army’s Standard Financial System (STANFINS) accounting program. Combining the intellectual capital of both the Army National Guard Financial Services Center and DFAS ensured a smooth conversion without any service interruption. The conversion involved an initial move from 55 separate SABERS databases to 5 STANFINS databases operating in 5 separate Defense Finance and Accounting Service field sites, followed by the further consolidation of the 5 databases to a centralized operating location at DFAS-Indianapolis establishing the ARNG Accounting Center of Excellence. The Army National Guard is now poised to move forward with the Active Component on future standard accounting system enhancements and conversions.

## **FY04 DEPARTMENT OF ARMY GOALS**

At the beginning of each fiscal year, the Office of the Assistant Secretary of the Army, Financial Management and Comptroller sets forth Joint Reconciliation Program (JRP) goals. Joint reviews are held three times each fiscal year to track progress in meeting the goals. The overarching goal of the Army JRP is to promote the efficient and effective execution of the Army’s Total Obligation Authority. The Joint Reconciliation Program stretches ARNG buying power by enabling in-course corrections to obligation authority during the year of execution. During FY04, the Army National Guard met six of the seven Department of Army (DA) goals overall. However, for FY05, the ARNG is capitalizing on best practices and lessons learned by introducing innovative products and services to the states to enable them, as well as National Guard Bureau, to work more effectively and efficiently in meeting DA goals.

# FISCAL YEAR 2004 FINANCIAL STATEMENTS

## DEPARTMENT OF THE ARMY NATIONAL GUARD

### CONSOLIDATED BALANCE SHEET

*As of September 30, 2004*

#### 2004 Consolidated

1. Assets (Note 2)	
A. Intragovernmental	
1. Fund Balance with Treasury (Note 3)	
a. Entity.....	3,431,064,226.56
b. Non-Entity Seized Iraqi Cash .....	0.00
c. Non-Entity – Other .....	0.00
2. Investments (Note 4).....	0.00
3. Accounts Receivable (Note 5) .....	61,532,082.90
4. Other Assets (Note 6).....	(8,301.71)
5. Total Intragovernmental Assets .....	\$ 3,492,588,007.75
B. Cash and Other Monetary Assets (Note 7) .....	0.00
C. Accounts Receivable (Note 5).....	31,643,791.29
D. Loans Receivable (Note 8).....	0.00
E. Inventory and Related Property (Note 9).....	0.00
F. General Property, Plant and Equipment (Note 10) .....	812,896,531.64
G. Investments (Note 4).....	0.00
H. Other Assets (Note 6).....	86,340,060.27
2. Total Assets.....	\$ 4,423,468,390.95
3. Liabilities (Note 11)	
A. Intragovernmental	
1. Accounts Payable (Note 12) .....	\$ 104,502,181.71
2. Debt (Note 13) .....	0.00
3. Environmental Liabilities (Note 14) .....	0.00
4. Other Liabilities (Note 15 & Note 16) .....	47,370,642.78
5. Total Intragovernmental Liabilities .....	\$ 151,872,824.49
B. Accounts Payable (Note 12).....	\$ 1,181,290,242.54
C. Military Retirement Benefits and Other Employment - Actuarial Liabilities (Note 17) ...	273,767,961.94
D. Environmental Liabilities (Note 14).....	0.00
E. Loan Guarantee Liability (Note 8).....	0.00
F. Other Liabilities (Note 15 & Note 16).....	572,827,170.71
G. Debt Held by Public (Note 13).....	0.00
4. Total Liabilities .....	\$ 2,179,758,199.68
5. Net Position	
A. Unexpended Appropriations (Note 18) .....	\$ 1,996,608,570.28
B. Cumulative Results of Operations.....	247,101,620.99
6. Total Net Position .....	\$ 2,243,710,191.27
7. Total Liabilities and Net Position .....	\$ 4,423,468,390.95

#### SIGNIFICANT ACCOUNTING POLICIES (NOTE 1)

The accompanying notes are an integral part of these statements.

# CONSOLIDATED STATEMENT OF NET COST

*As of September 30, 2004*

## 2004 Consolidated

1.	Program Costs	
	A. Intragovernmental Gross Costs .....	\$ (40,066,817.70)
	B. (Less: Intragovernmental Earned Revenue) .....	(140,985,602.15)
	C. Intragovernmental Net Costs .....	\$ (181,052,419.85)
	D. Gross Costs With the Public.....	10,641,596,897.86
	E. (Less: Earned Revenue From the Public) .....	(4,477,157.59)
	F. Net Costs With the Public.....	\$ 10,637,119,740.27
	G. Total Net Cost .....	\$ 10,456,067,320.42
2.	Cost Not Assigned to Programs .....	0.00
3.	(Less: Earned Revenue Not Attributable to Programs).....	0.00
4.	Net Cost of Operations.....	\$ 10,456,067,320.42

## GENERAL DISCLOSURES (NOTE 19)

# CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

As of September 30, 2004

## 2004 Consolidated

### CUMULATIVE RESULTS OF OPERATIONS

1. Beginning Balances.....	\$ 114,177,061.27
2. Prior Period Adjustments (+/-).....	0.00
3. Beginning Balances, As Adjusted.....	114,177,061.27
4. Budgetary Financing Sources	
4.A. Appropriations Received.....	0.00
4.B. Appropriations Transferred-In/Out (+/-).....	0.00
4.C. Other Adjustments (Rescissions, etc) (+/-).....	0.00
4.D. Appropriations Used .....	10,615,094,950.18
4.E. Nonexchange Revenue .....	0.00
4.F. Donations and Forfeitures of Cash and Cash Equivalents .....	0.00
4.G. Transfers-In/Out Without Reimbursement (+/-) .....	0.00
4.H. Other Budgetary Financing Sources (+/-) .....	(26,103,070.04)
5. Other Financing Sources	
5.A. Donations and Forfeitures of Property .....	0.00
5.B. Transfers-In/Out Without Reimbursement (+/-).....	0.00
5.C. Imputed Financing from Costs Absorbed by Others .....	0.00
5.D. Other (+/-) .....	0.00
6. Total Financing Sources.....	10,588,991,880.14
7. Net Cost of Operations (+/-) .....	10,456,067,320.42
8. Ending Balances.....	\$ 247,101,620.99
unexpended appropriations	
1. Beginning Balances.....	\$ 2,678,800,655.45
2. Prior Period Adjustments (+/-).....	0.00
3. Beginning Balances, As Adjusted.....	2,678,800,655.45
4. Budgetary Financing Sources	
4.A. Appropriations Received.....	\$ 10,158,042,000.00
4.B. Appropriations Transferred-In/Out (+/-).....	(121,983,000.00)
4.C. Other Adjustments (Rescissions, etc) (+/-).....	(103,156,134.99)
4.D. Appropriations Used .....	(10,615,094,950.18)
4.E. Nonexchange Revenue .....	0.00
4.F. Donations and Forfeitures of Cash and Cash Equivalents .....	0.00
4.G. Transfers-In/Out Without Reimbursement (+/-) .....	0.00
4.H. Other Budgetary Financing Sources (+/-) .....	0.00
5. Other Financing Sources	
5.A. Donations and Forfeitures of Property .....	0.00
5.B. Transfers-In/Out Without Reimbursement (+/-).....	0.00
5.C. Imputed Financing from Costs Absorbed by Others .....	0.00
5.D. Other (+/-) .....	0.00
6. Total Financing Sources.....	(682,192,085.17)
7. Net Cost of Operations (+/-) .....	0.00
8. Ending Balances.....	\$ 1,996,608,570.28

### GENERAL DISCLOSURES (NOTE 20)

# COMBINED STATEMENT OF BUDGETARY RESOURCES

As of September 30, 2004

2004 Combined

## BUDGETARY FINANCING ACCOUNTS

### BUDGETARY RESOURCES

1. Budget Authority	
1.A. Appropriations Received.....	\$ 10,158,042,000.00
1.B. Borrowing Authority .....	0.00
1.C. Contract Authority.....	0.00
1.D. Net Transfers (+/-).....	(108,678,000.00)
1.E. Other.....	0.00
2. Unobligated Balance	
2.A. Beginning of Period .....	486,604,567.82
2.B. Net Transfers, Actual (+/-) .....	(13,305,000.00)
2.C. Anticipated Transfers Balances .....	0.00
3. Spending Authority from Offsetting Collections	
3.A. Earned .....	0.00
1. Collected .....	162,545,250.64
2. Receivable from Federal Sources .....	(17,082,490.90)
3.B. Change In Unfilled Customer Orders .....	0.00
1. Advance Received .....	(30,249.72)
2. Without Advance from Federal Sources .....	3,557,519.49
3.C. Anticipated For the Rest of Year, Without Advances .....	0.00
3.D. Transfers from Trust Funds .....	0.00
3.E. Subtotal.....	148,990,029.51
4. Recoveries of Prior Year Obligations .....	1,862,601,434.45
5. Temporarily Not Available Pursuant to Public Law .....	0.00
6. Permanently Not Available .....	(103,156,134.99)
7. Total Budgetary Resources .....	\$ 12,431,098,896.79
Status of budgetary resources	
8. Obligations Incurred	
8.A. Direct.....	\$ 11,445,146,503.54
8.B. Reimbursable.....	305,799,743.93
8.C. Subtotal.....	11,750,946,247.47
9. Unobligated Balance	
9.A. Apportioned .....	228,977,715.10
9.B. Exempt from Apportionment .....	0.00
9.C. Other Available .....	0.00
10. Unobligated Balances Not Available .....	451,174,934.22
11. Total, Status of Budgetary Resources .....	\$ 12,431,098,896.79
Relationship of obligations to outlays	
12. Obligated Balance, Net - Beginning of Period.....	\$ 2,748,352,594.38
13. Obligated Balance Transferred, Net (+/-) .....	0.00
14. Obligated Balance, Net - End of Period	
14.A. Accounts Receivable .....	(67,434,145.22)
14.B. Unfilled Customer Order from Federal Sources.....	(7,236,828.78)
14.C. Undelivered Orders .....	1,202,210,853.04
14.D. Accounts Payable .....	1,623,371,698.20
15. Outlays	
15.A. Disbursements.....	9,899,310,801.57
15.B. Collections.....	(162,515,000.92)
15.C. Subtotal.....	9,736,795,800.65
16. Less: Offsetting Receipts .....	0.00
17. Net Outlays .....	\$ 9,736,795,800.65



# COMBINED STATEMENT OF BUDGETARY RESOURCES

As of September 30, 2004

2004 Combined

## NONBUDGETARY FINANCING ACCOUNTS

### BUDGETARY RESOURCES

1. Budget Authority	
1.A. Appropriations Received.....	\$ 0.00
1.B. Borrowing Authority .....	0.00
1.C. Contract Authority.....	0.00
1.D. Net Transfers (+/-).....	0.00
1.E. Other.....	0.00
2. Unobligated Balance	
2.A. Beginning of Period .....	0.00
2.B. Net Transfers, Actual (+/-) .....	0.00
2.C. Anticipated Transfers Balances .....	0.00
3. Spending Authority from Offsetting Collections	
3.A. Earned .....	0.00
1. Collected .....	0.00
2. Receivable from Federal Sources .....	0.00
3.B. Change In Unfilled Customer Orders.....	0.00
1. Advance Received .....	0.00
2. Without Advance from Federal Sources .....	0.00
3.C. Anticipated For the Rest of Year, Without Advances .....	0.00
3.D. Transfers from Trust Funds.....	0.00
3.E. Subtotal.....	0.00
4. Recoveries of Prior Year Obligations .....	0.00
5. Temporarily Not Available Pursuant to Public Law .....	0.00
6. Permanently Not Available .....	0.00
7. Total Budgetary Resources .....	\$ 0.00
Status of budgetary resources	
8. Obligations Incurred	
8.A. Direct.....	\$ 0.00
8.B. Reimbursable.....	0.00
8.C. Subtotal.....	0.00
9. Unobligated Balance	
9.A. Apportioned .....	0.00
9.B. Exempt from Apportionment .....	0.00
9.C. Other Available .....	0.00
10. Unobligated Balances Not Available .....	0.00
11. Total, Status of Budgetary Resources .....	\$ 0.00
Relationship of obligations to outlays	
12. Obligated Balance, Net - Beginning of Period.....	\$0.00
13. Obligated Balance Transferred, Net (+/-) .....	0.00
14. Obligated Balance, Net - End of Period	
14.A. Accounts Receivable .....	0.00
14.B. Unfilled Customer Order from Federal Sources.....	0.00
14.C. Undelivered Orders .....	0.00
14.D. Accounts Payable .....	0.00
15. Outlays	
15.A. Disbursements.....	0.00
15.B. Collections.....	0.00
15.C. Subtotal.....	0.00
16. Less: Offsetting Receipts .....	0.00
17. Net Outlays .....	\$ 0.00

## GENERAL DISCLOSURES (NOTE 21)

# COMBINED STATEMENT OF FINANCING

As of September 30, 2004

## 2004 Consolidated

### RESOURCES USED TO FINANCE ACTIVITIES

#### BUDGETARY RESOURCES OBLIGATED

1. Obligations Incurred .....	\$ 11,750,946,247.47
2. (Less: Spending Authority from Offsetting Collections and Recoveries) .....	(2,011,591,463.96)
3. Obligations Net of Offsetting Collections and Recoveries (+/-) .....	9,739,354,783.51
4. (Less: Offsetting Receipts) .....	0.00
5. Net Obligations .....	9,739,354,783.51

#### OTHER RESOURCES

6. Donations and Forfeitures of Property .....	0.00
7. Transfers In/Out Without Reimbursement (+/-) .....	0.00
8. Imputed Financing from Costs Absorbed by Others .....	0.00
9. Other (+/-) .....	0.00
10. Net Other Resources Used to Finance Activities .....	0.00
11. Total Resources Used to Finance Activities.....	9,739,354,783.51

### RESOURCES USED TO FINANCE ITEMS NOT

#### PART OF THE NET COST OF OPERATIONS

12. Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered But Not Yet Provided	
12.A. Undelivered Orders (-) .....	877,408,834.79
12.B. Unfilled Customer Orders .....	3,527,269.77
13. Resources That Fund Expenses Recognized In Prior Periods .....	(90,042,401.84)
14. Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations .....	0.00
15. Resources That Finance the Acquisition of Assets .....	(156,130,253.86)
16. Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	
16.A. (Less: Trust or Special Fund Receipts Related to) .....	0.00
16.B. Other (+/-) .....	0.00
17. Total Resources Used to Finance Items Not Part of the Net Cost of Operations .....	634,763,448.86
18. Total Resources Used to Finance the Net Cost of Operations .....	10,374,118,232.37

### COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT

#### REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD

#### COMPONENTS REQUIRING OR GENERATING RESOURCES IN FUTURE PERIODS

19. Increase In Annual Leave Liability .....	5,620,016.55
20. Increase In Environmental and Disposal Liability .....	0.00
21. Upward/Downward Reestimates of Credit Subsidy Expense .....	0.00
22. Increase In Exchange Revenue Receivable from the Public .....	0.00
23. Other (+/-) .....	3,666,300.95
24. Total Components of Net Cost of Operations That Will Require or Generate Resources In Future Periods .....	9,286,317.50

#### COMPONENTS NOT REQUIRING OR GENERATING RESOURCES

25. Depreciation and Amortization .....	72,866,685.84
26. Revaluation of Assets or Liabilities (+/-) .....	364,797.50
27. Other (+/-) .....	(568,712.79)
28. Total Components of Net Cost of Operations That Will Not Require or Generate Resources .....	72,662,770.55
29. Total Components of Net Cost of Operations That Will Not Require or Generate Resources In the Current Period .....	81,949,088.05
30. Net Cost of Operations .....	\$ 10,456,067,320.42

### GENERAL DISCLOSURES (NOTE 22)

# FISCAL YEAR 2004 FOOTNOTES

## NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION. The foregoing financial statements have been prepared to report the financial positions and the net results of operations of the Army National Guard (ARNG) to include the 50 states and the territories of Guam, Puerto Rico, the U.S. Virgin Islands, and the District of Columbia, as required by the Chief Financial Officers (CFO) Act of 1990, Government Performance and Results Act (GPRA) of 1993, Government Management Reform Act (GMRA) of 1994, Federal Financial Management Improvement Act (FFMIA) of 1996, and other appropriate legislation. Due to the lack of a complete accounting system, specifically a General Ledger, the unaudited financial statements have been prepared from information provided by the Defense Finance and Accounting Service-Indianapolis (DFAS-IN) and records available at the ARNG Directorate in accordance with the "Department of Defense Financial Management Regulation" (DoDFMR) as adapted from the Office of Management and Budget (OMB) Bulletin No. 97-01, "Form and Content of Agency Financial Statements," and to the extent possible the Statements of Federal Financial Accounting Standards (SFFASs). The ARNG financial statements are in addition to the financial reports also pursuant to Office of Management and Budget directives that are used to monitor and control ARNG use of budgetary resources.

ARNG is unable to fully implement all elements of the SFFASs due to limitations of its financial accounting systems, including non-financial feeder systems. Reported values and information for ARNG's major asset and liability categories are derived largely from non-financial feeder systems, such as real property systems, inventory systems, and logistic systems. These were designed to support reporting requirements focusing on maintaining accountability over assets and reporting the status of federal appropriations rather than applying the current emphasis of business-like financial statements. As a result, ARNG cannot currently implement every aspect of the SFFAS. ARNG continues to implement process and system improvements.

Fiscal Year 2004 represents the seventh year that the ARNG has prepared and published its annual financial statements.

Entity Accounts	Title
21 * 2020 .....1/ .....	Operations and Maintenance Army
21 * 2060/2061 .....1/ .....	National Guard Personnel, Army
21 * 2065/2067 .....1/ .....	Operations and Maintenance, Army National Guard
21 * 2085 A .....1/ .....	Military Construction, Army National Guard
97 * 0100 cc.....1/ .....	Operations and Maintenance, Defense National Guard
97 * 0350 .....1/ .....	National Guard and Reserve Equipment (limit 1801)
97R5189 ** .....2/ .....	Lease of Department of Defense Assets
97X0833 .....	Emergency Response Fund
Non-Entity Accounts	Title
21F3875 .....	Budget Clearing Suspense Account
21R5095 .....	Sale of Hunting and Fishing Permits, Military Reservations
21X5095 .....	Wildlife Conservation, etc., Military Reservations
97X5188 .....	Disposal of Real Property
21X6105 .....	Withheld Employee State Tax
21X6108 .....	Employer Contributions, State or Territorial Retirement
21X6112 .....	Withheld Employee Contributions, State or Territorial Disability Benefits
21X6113 .....	Withheld Employee Contributions, State or Territorial Death Benefits
21X6208 .....	Amounts Withheld for Group Life Insurance, National Guard Members

B. MISSION OF THE REPORTING ENTITY. Through the National Defense Act of 1933, the Army National Guard was created as a new component to the United States Army. The ARNG's primary federal mission is to maintain properly trained and equipped units available for mobilization for national, state, or local emergencies as well as to provide help to the states for disaster relief and public peacekeeping.

The accounts used to prepare the statements are classified as either entity or non-entity. Entity accounts consist of resources that the ARNG has the authority to use, or where management is legally obligated to use funds to meet entity obligations. Non-entity accounts are assets held by the Guard but not available for use in its operations.

The non-entity accounts are special fund accounts for receipts of the government that are earmarked for a specific purpose. The Guard also receives indirect benefits from other Defense appropriations, and collects and deposits funds to Treasury Accounts.

The accompanying unaudited financial statements account for all resources for which the agency is responsible. The financial statements are presented on a modified accrual basis of accounting. Under this theory, expense is recorded when goods or services are received and income is earned when services are performed. For fiscal year (FY) 2004, the ARNG financial accounting systems are unable to meet all the requirements for full accrual accounting. Efforts are underway to bring the ARNG systems into compliance with the Joint Financial Management Improvement Program (JMIP).

C. BUDGETS AND BUDGETARY ACCOUNTING. The Army National Guard appropriations are divided into general, special, and deposit funds. These accounts are used to fund and report how the resources have been used in the course of executing the ARNG's missions.

General funds are used to finance the cost incurred for personnel, operation, maintenance, procurement, and construction accounts.

Trust funds represent the receipt and expenditure of funds held in trust by the government for use in carrying out specific purposes or programs in accordance with the terms of the donor, trust agreement, or statute.

Special funds account for receipts of the government that are earmarked for a specific purpose.

Deposit funds generally are used to (1) hold assets for which ARNG is acting as an agent or a custodian or whose distribution awaits legal determination, or (2) account for unidentified remittances.

D. BASIS OF ACCOUNTING. ARNG generally records transactions on a budgetary basis and not an accrual accounting basis as required by the Statements of Federal Financial Accounting Standards (SFFASs). Many of ARNG's financial and non-financial feeder systems and processes were designed and implemented prior to the issuance of the SFFASs and, therefore, were not designed to collect and record financial information on the full accrual accounting basis as is required by the SFFASs. ARNG has undertaken efforts to determine the actions required to bring its financial and non-financial feeder systems and processes into compliance with all elements of the SFFASs. One such action is the current revision of its accounting systems to record transactions based on the United States Government Standard General Ledger (SGL). Until such time as all of ARNG's financial and non-financial feeder systems and processes are updated to collect and report financial information as required by the SFFASs, ARNG's financial data will be based on budgetary transactions (obligations, disbursements, and collections), transactions from non-financial feeder systems, and adjusted for known accruals of major items such as payroll expenses, accounts payable, and environmental liabilities. One example of information presented on the budgetary basis is the data on the Statement on Net Cost. Much of this information is based on obligations and disbursements and may not always represent accrued costs. In addition, ARNG identifies programs based upon the major appropriation groups provided by Congress. ARNG is in the process of reviewing available data and attempting to develop a cost reporting methodology that balances the need for cost information required by the SFFAS No. 4, "Managerial Cost Accounting Concepts and Standards for the Federal Government," with the need to keep the financial statements from being overly voluminous.

E. REVENUES AND OTHER FINANCING SOURCES. Financing sources for general funds are provided primarily through congressional appropriations that are received on both an annual and a multiyear basis. When authorized, these appropriations are supplemented by revenues generated by sales of goods or services through a reimbursable order process. ARNG recognizes revenue as a result of costs incurred or services performed on behalf of other federal agencies and the public. Revenue is recognized when earned under the reimbursable order process.

For financial reporting purposes, the Department of Defense (DoD) policy requires the recognition of operating expenses in the period incurred. However, because ARNG's financial and non-financial feeder systems were not designed to collect and record financial information on the full accrual accounting basis, accrual adjustments are made for major items such as payroll expenses, accounts payable, and environmental liabilities. Expenditures for capital and other long-term assets are not recognized as expenses until consumed in ARNG's operations. Unexpended appropriations are reflected in the net position.

Certain expenses, such as annual and military leave earned but not taken, are not funded when accrued. Such expenses are financed in the period in which payment is made.

F. ACCOUNTING FOR INTRA-GOVERNMENTAL ACTIVITIES. The ARNG's consolidated financial statements include all data pertaining to the operations of the United States Property Fiscal Offices, and the territories of Guam, Puerto Rico, the U.S. Virgin Islands, and the District of Columbia. Financing for the construction of DoD facilities is obtained through budget appropriations. To the extent this financing ultimately may have been obtained through the issuance of public debt, interest costs have not been capitalized since the Department of the Treasury does not allocate such interest costs to the benefiting agencies.

ARNG's civilian employees participate in the Civil Service Retirement System (CSRS) and the Federal Employees Retirement Systems (FERS), while military personnel are covered by the Military Retirement System (MRS). Additionally, employees and personnel covered by FERS and MRS also have varying coverage under Social Security. ARNG funds a portion of the civilian and military pensions. Reporting civilian pension under CSRS and FERS retirement systems is the responsibility of the Office of Personnel Management (OPM). ARNG recognizes an imputed expense for the portion of civilian employee pensions and other retirement benefits funded by the OPM in the Statement of Net Cost; and recognizes corresponding imputed revenue from the civilian employee pensions and other retirement benefits in the Statement of Changes in Net Position.

The ARNG reports the assets, funded actuarial liability, and unfunded actuarial liability for the military personnel in the Military Retirement Fund (MRF) financial statements.

G. FUNDS WITH THE U.S. TREASURY AND CASH. ARNG's financial resources are maintained in U.S. Treasury accounts. Collections, disbursements, and adjustments are processed worldwide at the Defense Finance and Accounting Service (DFAS). The

disbursing station prepares monthly reports, which provide information to the U.S. Treasury on check issues, interagency transfers, and deposits. In addition, the DFAS centers submit reports to Treasury, by appropriation, on collections received and disbursements issued. Treasury then records this information to the appropriation Fund Balance with Treasury (FBWT) account maintained in the Treasury's system. Differences between ARNG recorded balance in the FBWT account and Treasury's FBWT often result and are reconciled. Material Disclosures are provided at Note 3.

H. ACCOUNTS RECEIVABLE. As presented in the Balance Sheet statement, accounts receivable includes accounts, claims, and refunds receivable from other federal entities or from the public. Allowances for uncollectible accounts due from the public are based upon analysis of collection experience by fund type. ARNG does not recognize an allowance for estimated uncollectible amounts from another federal agency. Claims against another federal agency are to be resolved between the agencies.

I. INVENTORIES AND RELATED PROPERTY. Inventories are reported at approximate historical cost based on Latest Acquisition Cost (LAC) adjusted for holding gains and losses. The LAC method is used because inventory data is maintained in logistics systems designed for material management purposes. For the most part, these systems value inventory at selling prices or LAC and reported amounts must be adjusted, using a formula to approximate historical costs. The related property portion of the amount reported on the Inventory and Related Property line includes Organizational Maintenance and Supplies (OM&S) and stockpile materials. The OM&S are valued at standard purchase price. Ammunition and munitions that are not held for sale are treated as OM&S. ARNG is using both the purchase and the consumption method of accounting for OM&S, as defined in the Statement of Federal Financial Accounting Standards (SFFAS) No. 3 "Accounting for Inventory and Related Property."

J. GENERAL PROPERTY, PLANT, AND EQUIPMENT. General property, plant, and equipment (PP&E) assets are capitalized when an asset has a useful life of 2 or more years, and when the acquisition cost equals or exceeds the Department of Defense (DoD) capitalization threshold of \$100,000. All General PP&E, other than land, is depreciated on a straight-line basis. Land is not depreciated.

When it is the best interest of the government, ARNG provides to contractors government property necessary to complete contract work. Such property is either owned or leased by the ARNG or purchased directly by the contractor for the government based on contract terms. When the value of contractor procured General PP&E exceeds the DoD capitalization threshold, such PP&E should be included in the value of General PP&E reported on the ARNG's Balance Sheet.

PARAGRAPHS K, L, AND M ARE NOT USED BY THE ARNG.

N. ADVANCES AND PREPAYMENTS. Payments in advance for goods and services are recorded and reported as an asset on the Balance Sheet. These are recognized as expenditures when the related goods and services are received.

O. LEASES. Generally, lease payments are for the rental of equipment, space, and operating facilities and are classified as either capital or operating leases. When a lease is essentially equivalent to an installment purchase of a property (a capital lease) and the value equals or exceeds the current DoD capitalization threshold, the applicable asset and liability are recorded.

The amount recorded is the lesser of the present value of the rental and other lease payments during the lease term, excluding that portion of the payments representing executory costs paid to the lessor, or the asset's fair value. Leases that do not transfer substantially all of the benefits or risks of ownership are classified as operating leases and recorded as expenses as payments are made over the lease terms.

P. OTHER ASSETS. ARNG conducts business with commercial contractors under two primary types of contracts: fixed price and cost reimbursable. To alleviate the potential financial burden on the contractor that these long-term contracts can cause, ARNG provides financing payments. One type of financing payment that ARNG makes is based upon a percentage of completion. In accordance with the SFFAS No. 1, "Accounting for Selected Assets and Liabilities," such payments are treated as construction in process and are reported on the General PP&E line and in Note 10, General PP&E, Net. In addition, based on the provision of the Federal Acquisition Regulations, ARNG makes financing payments under fixed price contracts that are not based on a percentage of completion. The ARNG reports these financing payments as advances or prepayments in the "Other Assets" line item. ARNG treats these payments as advances or prepayments because the ARNG becomes liable only after the contractor delivers the goods in conformance with the contract terms. If the contractor does not deliver a satisfactory product, ARNG is not obligated to reimburse the contractor for its costs and the contractor is liable to repay the ARNG for the full amount of the advance. ARNG does not believe that the SFFAS No. 1 addresses this type of financing payment. The auditors disagree with the ARNG application of the accounting standard pertaining to advances and prepayments because they believe that the SFFAS No. 1 is applicable to this type of financing payment.

Q. CONTINGENCIES AND OTHER LIABILITIES. The Statement of Federal Financial Accounting Standards (SFFAS) No. 5, "Accounting for Liabilities of the Federal Government," defines a contingency as an existing condition, situation, or set of circumstances that involves an uncertainty as to possible gain or loss to ARNG. The uncertainty will be resolved when one or more future events occur or fail to occur. A contingency is recognized as a liability when it is probable that the future event or events will confirm the loss or the incurrence of a liability for the reporting entity and the amount of loss can be reasonably estimated. Financial statement reporting is limited to disclosure when conditions for liability recognition do not exist but there is at least a reasonable

possibility that a loss or additional loss will be incurred. The ARNG loss contingencies arising as a result of pending or threatened litigation or claims and assessments occur due to events such as aircraft, ship, and vehicle accidents, medical malpractice, property or environmental damages, and contract disputes.

The ARNG's liabilities also arise as a result of range preservation and management activities. Range preservation and management activities are those precautions considered necessary to protect personnel and to maintain long-term range viability. These activities may include the removal and disposal of solid wastes, clearance of unexploded munition, and efforts considered necessary to address pollutants and contaminants. The reported amounts for range preservation and management represent the current cost basis estimates of required range preservation and management activities, beyond recurring operating and maintenance, for active and inactive ranges at active installations. The estimated costs are recognized systematically based on the estimated use of physical capacity.

R. ACCRUED LEAVE. Civilian annual leave and military leave are accrued as earned and the accrued amounts are reduced as leave is taken. The balances for annual and military leave at the end of the fiscal year reflect current pay rates for the leave that is earned but not taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates.

S. NET POSITION. Net Position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent amounts of authority which are unobligated and have not been rescinded or withdrawn, and amounts obligated but for which legal liabilities for payments have been incurred.

Cumulative results of operations represents the difference, since inception of an activity, between expenses and losses and financing sources including appropriations, revenue, and gains. Beginning with FY 1998, this included the cumulative amount of donations and transfers of assets in and out without reimbursement.

PARAGRAPH T IS NOT USED BY THE ARNG.

U. UNDELIVERED ORDERS. For budgetary purposes, ARNG records obligations for goods and services that have been ordered but not yet received.

## **NOTE 2. NON-ENTITY AND ENTITY ASSETS**

*As of September 30, 2004*

1.	Intra-Governmental Assets	
A.	Fund Balance with Treasury .....	\$ 3,431,064,226.56
B.	Investments .....	0.00
C.	Accounts Receivable .....	61,532,082.90
D.	Other Assets .....	(8,301.71)
E.	Total Intra-Governmental Assets .....	\$ 3,492,588,007.75
2.	Non-Federal Assets	
A.	Cash and Other Monetary Assets .....	\$ 0.00
B.	Accounts Receivable .....	31,643,791.29
C.	Loans Receivable .....	0.00
D.	Inventory & Related Property .....	0.00
E.	General Property, Plant and Equipment .....	812,896,531.64
F.	Investments .....	0.00
G.	Other Assets .....	86,340,060.27
H.	Total Non-Federal Assets .....	\$ 4,423,468,390.95
3.	Total Non-Entity Assets .....	\$ 0.00
4.	Total Entity Assets .....	\$ 4,423,468,390.95
5.	Total Assets .....	\$ 4,423,468,390.95

## **NOTE 3. FUND BALANCE WITH TREASURY**

*As of September 30, 2004*

1.	Fund Balance with Treasury	
A.	Appropriated Funds .....	\$ 3,431,064,226.56
B.	Revolving Funds .....	0.00
C.	Trust Funds .....	0.00
D.	Other Fund Types .....	0.00
E.	Total Fund Balances .....	\$ 3,431,064,226.56

2. Fund Balances Per Treasury Versus Agency
  - A. Fund Balance per Treasury .....\$ 0.00
  - B. Fund Balance per Agency ..... 3,431,064,226.56
  - C. Reconciling Amount .....\$ (3,431,064,226.56)

#### NOTE 4. INVESTMENTS

The Army National Guard does not engage in any type of investment activity.

#### NOTE 5. ACCOUNTS RECEIVABLE

As of September 30, 2004

	Gross amount due	allowance for estimated uncollectibles	Accounts receivable, net
1. Intra-Governmental Receivables.....	\$ 61,532,082.90	N/A	\$ 61,532,082.90
2. Non-Federal Receivables (From the Public) .....	\$ 33,206,856.58	\$ (1,563,065.29)	\$ 31,643,791.29
3. Total Accounts Receivable .....	\$ 94,738,939.48	\$ (1,563,065.29)	\$ 93,175,874.19

#### NOTE 6. OTHER ASSETS

As of September 30, 2004

1. Intra-Governmental Other Assets
  - A. Advances and Prepayments..... \$ (8,301.71)
  - B. Other Assets .....0.00
  - C. Total Intra-Governmental Other Assets ..... \$ (8,301.71)
2. Non-Federal Other Assets
  - A. Fund Balance per Treasury .....\$ 0.00
  - B. Other Assets (With the Public)..... \$ 86,340,060.27
  - C. Total Non-Federal Other Assets..... \$ 86,340,060.27
3. Total Other Assets ..... \$ 86,331,758.56

#### NOTE 7. CASH, FOREIGN CURRENCY, AND OTHER MONETARY ASSETS

The Army National Guard does not have any cash, foreign currency, nor other monetary assets on hand.

#### NOTE 8. DIRECT LOANS AND LOAN GUARANTEES, NON-FEDERAL BORROWERS

The Army National Guard does not engage in any type of lending fund activities.

#### NOTE 9. INVENTORY AND RELATED PROPERTY

The Army National Guard does not engage in retail or resale of merchandise nor hold items in reserve for future sale.

#### NOTE 10. GENERAL Property, Plant, and Equipment (PP&E), NET

As of September 30, 2004

Major Asset Classes	DEPRECIATION/ AMORTIZATION METHOD	SERVICE LIFE	ACQUISITION VALUE	(ACCUMULATED DEPRECIATION/ AMORTIZATION)	NET BOOK VALUE
A. Land.....	N/A	N/A	\$ 59,364,147.98	N/A	\$ 59,364,147.98
B. Buildings, Structures, & Facilities .....	S/L	20 Or 40	1,033,094,349.00	\$ (466,431,544.28)	566,662,804.72
C. Leasehold Improvements .....	S/L	lease term	0.00	0.00	0.00
D. Software .....	S/L	2-5 Or 10	0.00	0.00	0.00
E. General Equipment .....	S/L	5 Or 10	73,267,079.22	(37,927,209.01)	35,339,870.21
F. Military Equipment.....	S/L	Various	0.00	0.00	0.00
G. Assets Under Capital Lease .....	S/L	lease term	0.00	0.00	0.00
H. Construction-in-Progress .....	N/A	N/A	151,529,708.73	N/A	151,529,708.73
I. Other .....			0.00	0.00	0.00
J. Total General PP&E .....			\$ 1,317,255,284.93	\$ (504,358,753.29)	\$ 812,896,531.64

S/L = Straight Line N/A = Not Applicable

**NOTE 11. LIABILITIES NOT COVERED AND COVERED BY BUDGETARY RESOURCES***As of September 30, 2004*

1.	Intra-Governmental Liabilities	
A.	Accounts Payable.....	\$ 0.00
B.	Debt.....	0.00
C.	Environmental Liabilities.....	0.00
D.	Other .....	47,370,642.78
E.	Total Intra-Governmental Liabilities.....	\$ 47,370,642.78
2.	Non-Federal Liabilities	
A.	Accounts Payable.....	\$ 23,079,171.83
B.	Military Retirement Benefits and Other Employment-Related Actuarial Liabilities.....	273,767,961.94
C.	Environmental Liabilities.....	0.00
D.	Loan Guarantee Liability .....	0.00
E.	Debt Held by Public.....	0.00
F.	Other Liabilities .....	212,182,951.02
G.	Total Non-Federal Liabilities .....	\$ 509,030,084.79
3.	Total Liabilities Not Covered by Budgetary Resources.....	\$ 556,400,727.57
4.	Total Liabilities Covered by Budgetary Resources.....	\$ 1,623,357,472.11
5.	Total Liabilities .....	\$ 2,179,758,199.68

**NOTE 12. ACCOUNTS PAYABLE***As of September 30, 2004*

	ACCOUNTS PAYABLE	INTEREST, PENALTIES, AND ADMINISTRATIVE FEES	TOTAL
1.	Intra-Governmental Payables..... \$ 104,502,181.71	N/A .....	\$ 104,502,181.71
2.	Non-Federal Payables (to the Public)..... \$ 1,181,290,242.54	\$ 0.00 .....	\$ 1,181,290,242.54
3.	Total..... \$ 1,285,792,424.25	\$ 0.00 .....	\$ 1,285,792,424.25

**NOTE 13. DEBT**

The Army National Guard has no reported debt in FY04.

**NOTE 14. ENVIRONMENTAL AND DISPOSAL LIABILITIES**

The value of environmental liabilities incurred of the final disposition of property, structures, weapons, munitions, and equipment cannot be determined at this time.

**NOTE 15.A. OTHER LIABILITIES***As of September 30, 2004*

	CURRENT LIABILITY	NONCURRENT LIABILITY	TOTAL
1.	Intra-Governmental		
A.	Advances from Others .....	\$ 0.00 .....	\$ 0.00 .....
B.	Deferred Credits.....	0.00 .....	0.00 .....
C.	Deposit Funds and Suspense Account Liabilities.....	0.00 .....	0.00 .....
D.	Resources Payable to Treasury .....	0.00 .....	0.00 .....
E.	Disbursing Officer Cash.....	0.00 .....	0.00 .....
F.	Nonenvironmental Disposal Liabilities		
(1)	National Defense PP&E (Nonnuclear) .....	0.00 .....	0.00 .....
(2)	Excess/Obsolete Structures.....	0.00 .....	0.00 .....
(3)	Conventional Munitions Disposal .....	0.00 .....	0.00 .....
(4)	Other.....	0.00 .....	0.00 .....
G.	Accounts Payable – Cancelled Appropriations .....	0.00 .....	0.00 .....
H.	Judgement Fund Liabilities .....	0.00 .....	0.00 .....
I.	FECA Reimbursement to the Department of Labor.....	20,963,057.21 .....	26,407,585.57 .....



J.	Capital Lease Liability .....	0.00	0.00	0.00
K.	Other Liabilities .....	0.00	0.00	0.00
L.	Total Intra-Governmental Other Liabilities.....	\$ 20,963,057.21	\$ 26,407,585.57	\$ 47,370,642.78
2. Non-Federal				
A.	Accrued Funded Payroll and Benefits.....	\$ 264,831,730.94	\$ 0.00	\$ 264,831,730.94
B.	Advances from Others .....	(15,623.32)	0.00	(15,623.32)
C.	Deferred Credits.....	0.00	0.00	0.00
D.	Loan Guarantee Liability .....	0.00	0.00	0.00
E.	Liability for Subsidy Related to Undisbursed Loans.....	0.00	0.00	0.00
F.	Deposit Funds and Suspense Accounts .....	0.00	0.00	0.00
G.	Temporary Early Retirement Authority .....	0.00	0.00	0.00
H.	Nonenvironmental Disposal Liabilities			
	(1) National Defense PP&E (Nonnuclear) .....	0.00	0.00	0.00
	(2) Excess/Obsolete Structures.....	0.00	0.00	0.00
	(3) Conventional Munitions Disposal .....	0.00	0.00	0.00
	(4) Other.....	0.00	0.00	0.00
I.	Accounts Payable – Cancelled Appropriations .....	0.00	0.00	0.00
J.	Accrued Unfunded Annual Leave .....	212,182,951.02	0.00	212,182,951.02
K.	Accrued Entitlement Benefits for			
	Military Retirees and Survivors .....	0.00	0.00	0.00
L.	Capital Lease Liability .....	0.00	0.00	0.00
M.	Other Liabilities .....	95,828,112.07	0.00	95,828,112.07
N.	Total Non-Federal Other Liabilities .....	\$ 572,827,170.71	\$ 0.00	\$ 572,827,170.71
3.	Total Other Liabilities .....	\$ 593,790,227.92	\$ 26,407,585.57	\$ 620,197,813.49

#### NOTE 15.B. CAPITAL LEASE LIABILITY

The Army National Guard has no Capital Lease Liability.

#### NOTE 16. COMMITMENTS AND CONTINGENCIES

The Army National Guard does not have any Commitments and Contingencies.

#### NOTE 17. MILITARY RETIREMENT BENEFITS AND OTHER EMPLOYMENT RELATED ACTUARIAL LIABILITIES

As of September 30, 2004

	ACTUARIAL PRESENT VALUE OF PROJECTED PLAN BENEFITS	(LESS: ASSETS AVAILABLE TO PAY BENEFITS)	UNFUNDED ACTUARIAL LIABILITY
1. Pension and Health Benefits			
A. Military Retirement Pensions.....	\$ 0.00	\$ 0.00	\$ 0.00
B. Military Retirement Health Benefits .....	0.00	0.00	0.00
C. Medicare-Eligible Retiree Benefits .....	0.00	0.00	0.00
D. Total Pension and Health Benefits .....	\$ 0.00	\$ 0.00	\$ 0.00
2. Other			
A. FECA .....	\$ 273,767,961.94	\$ 0.00	\$ 273,767,961.94
B. Voluntary Separation Incentive Programs.....	0.00	0.00	0.00
C. DoD Education Benefits Fund .....	0.00	0.00	0.00
D. (Other).....	0.00	0.00	0.00
E. Total Other.....	\$ 273,767,961.94	\$ 0.00	\$ 273,767,961.94
3. Total Military Retirement Benefits and Other Employment Related Actuarial Liabilities .....	\$273,767,961.94	0.00	\$ 273,767,961.94

#### NOTE 18. UNEXPENDED APPROPRIATIONS

As of September 30, 2004

1. Unexpended Appropriations	
A. Unobligated, Available .....	\$ 228,977,715.10
B. Unobligated, Unavailable .....	451,174,934.22
C. Unexpended Obligations.....	1,316,455,920.96
D. Total Unexpended Appropriations .....	1,996,608,570.28

**NOTE 19. GENERAL DISCLOSURES RELATED TO THE STATEMENT OF NET COST**

There are no general disclosures related to the Statement of Net Cost.

**NOTE 20. DISCLOSURES RELATED TO THE STATEMENT OF CHANGES IN NET POSITION**

There are no disclosures related to the Statement of Changes in Net Position.

**NOTE 21. DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES**

*As of September 30, 2004*

- |    |   |                     |
|----|---|---------------------|
| 1. | Net Amount of Budgetary Resources Obligated<br>for Undelivered Orders at the End of the Period..... | \$ 1,288,542,611.60 |
| 2. | Available Borrowing and Contract Authority at<br>the End of the Period.....                         | \$ 0.00             |

**NOTE 22. DISCLOSURES RELATED TO THE STATEMENT OF FINANCING**

There are no disclosures related to the Statement of Financing.

# FY06 BUDGET ASSESSMENT AND FUNDING PRIORITIES

## INTRODUCTION

The Army National Guard (ARNG), as a pivotal partner in the Joint Team, plays a critical role in the defense of our nation. Whether responding to Combatant Commander's requirements worldwide by providing strategic depth to the warfight, answering our nation's Homeland Security requirements by leading the effort to protect the homeland, or helping communities respond to natural disasters, the ARNG remains an integral part of our nation's defense strategy.

While the ARNG has received modest increases in the Total Obligation Authority (TOA) in which we are grateful to the Congress and to the Army, we are a nation at war and there is much more that needs to be done to continue fighting the Global War on Terrorism (GWOT). Even though this budget request does not include any direct financial support of current GWOT operations or other potential future operations, it does ensure that the ARNG remains a viable force which is modular, tailorable, and capable of coming together in a number of force and capabilities packages. To accomplish this, we must sustain a ready force that meets projected end-strength goals, real-time and realistic individual and joint collective training, professional leadership development, modernized equipment that is joint force compatible, and installations or flagships that serve as power projection platforms which promote Soldier well-being and family support programs.

The Fiscal Year 2006 (FY06) budget request supports peacetime operational levels and provides \$5.1B in the National Guard Personnel, Army (NGPA) appropriation; \$4.5B in the Operations and Maintenance, National Guard (OMNG) appropriation; and \$327M in the Military Construction, National Guard (MCNG) appropriation. The request supports a military end-strength of 350,000, an AGR end-strength of 27,345, and a military technician end-strength of 27,163. While this request funds statutory training, it must be noted that we will take significant risk in statutory training and full-time support if projected deployments do not remain constant.

While the ARNG received a modest increase in TOA from FY05 to FY06, this budget does not adequately resource programs that train the force, incentive programs to attract and retain quality Soldiers, full-time support, installation support which constitutes our power projection platforms to train and mobilize the force, nor does it adequately support a robust recruiting and retention effort needed to combat the recent decline in strength figures based on increased mobilizations and multiple deployments. Indicated below is a summary list of the FY06 shortfalls:

<u>APPN</u>	<u>PRIORITY</u>	<u>PROGRAM</u>	<u>SHORTFALL</u>
NGPA.....	1.....	Bonus and Incentive Programs .....	\$261M
OMNG .....	2.....	Recruiting and Retention .....	147M
NGPA.....	3.....	Initial Entry Training (IET) .....	67M
NGPA.....	4.....	Schools.....	125M
NGPA.....	5.....	Active Guard/Reserve (AGR).....	68M
OMNG .....	6.....	Base Operations Support (BOS) .....	131M
OMNG .....	7.....	Air OPTEMPO (Flying Hour Program) .....	53M
MCNG.....	8.....	Construction Projects .....	52M
			<u>\$904M</u>

The nation asks a great deal of its citizen-Soldiers and before we put them in harm's way, it is our responsibility to ensure that our Soldiers receive the best possible training, are maneuvering in the most current aircraft and armored combat vehicles, and are armed with the most lethal weapons systems available. As a steward of our nation's financial resources, the ARNG will apply discipline, manage risk, and expend the resources necessary to be ready when called upon by the American people in defense of our nation.

## BONUS AND INCENTIVES

AREA OF INTEREST: CURRENT READINESS

FY06 UFR: \$261M

APPN: NGPA

DESCRIPTION: The ARNG Bonus and Incentives program provides financial incentives used to attract and retain quality Soldiers who either possess a critical skill or qualify for training in a critical skill needed in wartime, and to sustain membership through retention in order to maintain readiness in the ARNG.

ISSUE JUSTIFICATION: The expanded authorities from the FY 2005 National Defense Authorization Act (NDAA) made a significant impact on the ARNG Bonus and Incentives program. Increased dollar amounts, expanded payment options, plus the authorization of two new additional bonuses for the Selected Reserves has created a significant shortfall in the FY06 budget request. The impact of the expanded authorities for FY06 is \$261M more than the budget request supports.

Non-Prior Service Enlistment Bonus - amount increased from \$8K to 10K. Payment schedule changed from 30% at completion of training, 20% at the 2<sup>nd</sup> year anniversary, 20% at the 3<sup>rd</sup> year anniversary, and 30% at the 4<sup>th</sup> year anniversary to a schedule that pays 50% at completion of training and 50% on the 4<sup>th</sup> year anniversary. The ARNG projects to pay 10,691 Soldiers at a rate of \$4,144 (not all Soldiers qualify for the entire \$10,000 bonus) for a total of \$44M. Current funding is \$19M leaving a \$25M shortfall.

Prior Service Enlistment Bonus - amount increased from \$5K to 15K for a 6-yr contract going from \$2.5K to \$7.5K for the 1<sup>st</sup> 3-yr contract and from \$2K to \$6K for the 2<sup>nd</sup> 3-yr contract. Payment schedule is 50% at execution of contract and 50% on the 4<sup>th</sup> year anniversary. The ARNG projects to pay 1,940 Soldiers at a rate of \$7,125 (some Soldiers choose the 3-yr option) for a total of \$14M. Current funding is \$3M leaving a \$11M shortfall.

Reenlistment/Extension Bonus – amount increased from \$5K to \$15K for a 6-yr contract going from \$2.5K to \$7.5K for the 1<sup>st</sup> 3-yr contract and from \$2K to \$6K for the 2<sup>nd</sup> 3-yr contract. Payment schedule is 100% at execution of contract. The ARNG projects to pay 18,223 Soldiers at a rate of \$12,025 (some Soldiers choose the 3-yr option) for a total of \$219M. Current funding is \$20M leaving a \$199M shortfall.

Officer Accession/Affiliation Bonus – this is a new authorization. The amount is \$6K and the payment schedule is 100% at execution of contract (for affiliation) or upon completion of Officer/Warrant Officer Basic Course (accession). The ARNG projects to pay 4,185 officers at a rate of \$6K for a total of \$25M. Since this is a new bonus that was not included in the budget request, the funding shortfall is \$25M.

MOS (Military Occupational Specialty) Conversion Bonus - this is a new authorization for Soldiers who choose to convert their current MOS to another MOS that is deemed critical by the ARNG. The amount is \$2K and the payment schedule is 100% upon completion of training in the new MOS. The ARNG projects to pay 370 Soldiers at a rate of \$2K for a total of \$740K. Since this is a new bonus that was not included in the budget request, the funding shortfall is \$740K.

FUNDING IMPACT: Bonuses and incentives are becoming a critical means needed to entice new enlistees to join the Guard and to retain trained and experienced Soldiers in the Guard based on our current environment of increased mobilizations and extended deployments. Increasing the bonus amounts and payment schedules will have a major, positive impact on current recruiting and retention challenges. The expanded authorizations in the FY 2005 NDAA closes the financial gap between the incentives offered by the Active Component and those offered by the Selected Reserves.

## RECRUITING AND RETENTION

AREA OF INTEREST: CURRENT READINESS

FY06 UFR: \$147

APPN: OMNG

DESCRIPTION: In FY04, the ARNG failed to meet the end-strength mission for the first time in eight years. To counter this in FY06, additional funding is needed to support activities and programs associated with maintaining the \$350K end-strength of the Army National Guard (ARNG). Emphasis must be placed on advertising, operational support, and contractor support. Advertising includes funding for multimedia campaigns consisting of internet advertising, printed material, national direct mailings, public service announcements, videos, interactive CD-ROMs, classified and magazine advertising, research, and other activities in support of the recruitment of non-prior service high school seniors and graduates, college students, and prior service prospects. Operational support includes leased General Services Administration (GSA) vehicles, the Army Recruiting Information Support System (ARISS) automation support, communication (cell phones), recruiter expense allowance, professional development and motivational training, and recruiting storefront office equipment. Contract support will be used to hire additional personnel to backfill Title 32 personnel within the Recruiting and Retention Command (RRC) or other state directorates to perform most of the administrative tasks thereby freeing up military personnel to focus more on recruiting and retaining qualified Soldiers.

### ISSUE JUSTIFICATION:

Advertising \$44M - the current level of funding will be detrimental to achieving end-strength of the ARNG. Insufficient advertising funding means a less than aggressive advertising campaign which results in missed opportunities, which in turn, could lead to "mission failure." In our current, high-tech, competitive environment of limited resources, it will take nothing less than an aggressive recruiting campaign coordinated with a massive advertising campaign to reach the quality non-prior service market and generate the quantity of quality leads required to meet accession goals. The ARNG is adjusting its recruiting themes and slogans to reflect the reality of today. Commitment is no longer just one weekend a month and two weeks a year. The accession goal has been raised from 56K in FY04 to 67K in FY06.

Operational Support \$28M - the ARNG increased production recruiters from 2700 to 4350 for FY05/06 to achieve the accession mission of 67K. This increase in force means additional support requirements as well such as GSA vehicles, communication equipment (cell phones), expense allowance, training, and office equipment.

Contractor Support \$75M - to achieve the FY06 accession mission, the ARNG must increase Field Recruiting and Retention NCOs (RRNCO) by 1,650 positions. In support of this effort, the ARNG has internally transferred 500 AGR authorizations from the FY05 AGR growth ramp to RRNCO positions, but still requires funding for 900 contract staff positions put in place in FY05.

**FUNDING IMPACT:** This is a unique time in the history of our nation with the Army called on to provide and sustain the largest mobilized force in the past 50 years. The limited prior service and non-prior service market will require higher retention levels, and this coupled with an anticipated increased attrition rate based on high Personnel OPTEMPO (PERSTEMPO), associated with extended and multiple deployments, creates a tremendous challenge to meet established recruiting goals and objectives. In FY03, the ARNG spent \$765 per accession, the lowest cost in the Department. Current funding equates to 16,000 fewer accessions in FY05, and if this trend continues, it will place the ARNG at risk of not meeting its congressionally mandated end-strength goal of 350K.

## SCHOOLS

**AREA OF INTEREST:** CURRENT READINESS

FY06 UFR: \$125M

APPN: NGPA

**DESCRIPTION:** Duty Military Occupational Skills (DMOSQ), Professional Development, and Refresher and Proficiency Training

Soldiers must be trained in their DMOSQ. They also need to be qualified in their assigned position to enhance and maintain individual and unit readiness. The Schools account funds the ARNG Soldier's pay and allowance to attend DMOSQ, Professional Development, leader development, special skills, senior leader and refresher/proficiency training courses. Additionally, Soldiers must remain current in their professional development to be considered for promotion.

**ISSUE JUSTIFICATION:** The current funding level for FY06 only supports 82.6% of the FY06 critical requirement for Duty MOSQ qualification and 53.7 % of the critical requirement for Professional Development. This level of funding only allows 36,591 Soldiers to be trained from a requirement of 63,729. Failure to fully fund the Initial Skills Acquisition program at the critical level leaves 10,000 ARNG Soldiers untrained in DMOSQ.

The Professional Development training program is only funded at 53.7% of critical requirements. The total critical funding shortfall for Career Development is \$75.2M. This amount pays for about 16,000 ARNG Soldiers to attend professional development, leader development, special skills, senior leader and refresher/proficiency training courses. These courses include Senior Service Colleges, Command and General Staff College, CAS3, Officer/Warrant Officer Advance Courses, Reserve Component Non-Commissioned Officer Education School, and the Sergeant's Major Academy.

Focus is on continued support for the Global War on Terrorism (GWOT), Army National Guard Division Redesign Study (ADRS), Army Transformation, and other approved force structure changes which affects the legacy, intermediate, or objective force requirements. This is an integrated process which balances the ARNG requirements with stated missions.

**FUNDING IMPACT:** Funding this program would greatly increase the ARNG's ability to field units with qualified Soldiers needed to achieve readiness requirements and will place the ARNG in a position to meet the Army Chief of Staff's mandate of 85% DMOSQ qualification goal across all ARNG units. On the other hand, failure to fully fund this initiative will degrade unit readiness in the ARNG and will have a direct impact on the Guard's capability to have units ready to deploy with minimum delays in accordance with the Army's combat mission.

## INITIAL ENTRY TRAINING (IET)

**AREA OF INTEREST:** CURRENT READINESS

**FY06 UFR:** \$67M

**APPN:** NGPA

**DESCRIPTION:** This program provides for the pay and allowances, retirement pay accrual, travel, and clothing for ARNG personnel attending Initial Entry Training (IET), and it also provides for pay and allowances, retirement pay accrual, and subsistence for ARNG personnel performing Inactive Duty Training (IDT) prior to attending basic training.

**ISSUE JUSTIFICATION:** The ARNG is currently not meeting its accession goals in IET. The prior service market is greatly reduced requiring an increase in Non-Prior Service (NPS) accessions. As strength declines, the required amount of NPS accessions must increase in order to meet stated goals. In addition to an increase in IET, comes a corresponding increase in IDT while new enlistees await training seats. The assumption is that accessions will outpace training seat availability due to Training and Doctrine Command (TRADOC) training base capacity, thereby increasing IDT wait times and costs.

**FUNDING IMPACT:** The ARNG is funded at 87% of critical requirements in FY06. The requested amount would bring funding back to the critical requirement of 37,355 training seats at 122 days of training. The additional funding represents an increase in training seats which equates to an additional 5,223 seats at 122 days of training. Without an increase in IET funding, the ARNG will be severely handicapped in meeting manning levels and readiness objectives. It is absolutely imperative that funding be restored so that recruiting efforts are not restricted in the ARNG.

## ACTIVE GUARD RESERVE (AGR) PROGRAM

**AREA OF INTEREST:** CURRENT READINESS

**FY06 UFR:** \$68M

**APPN:** NGPA

**DESCRIPTION:** Readiness is linked to the full time manning of the Active Guard Reserve (AGR) force. It is essential to adequately fund full time support to increase the readiness levels of the Army National Guard.

**ISSUE JUSTIFICATION:** The current funding level supports 55% of the FY05 validated requirement for the AGR program. This funding supports a force of 26,886 Soldiers from an authorized level of 27,345. Program requires an additional \$68M to support the congressionally authorized full-time AGR force of 27,345 in Fiscal Year (FY) 2006. This force includes the projected 2,700 mobilized AGR Soldiers in support of the Global War on Terrorism (GWOT). In previous FY's, congress decremented the program in order to recoup portions of the Mobilized Savings generated from deployed AGR's. It is absolutely vital that leaders understand the program is currently under-funded and can not sustain additional decrements. In order to improve readiness at the unit level for deploying formations, NGB authorized the use of the Full-Time National Guard Duty Mobilization Augmentee (FTNGDMA) program. This program allows States/Territories to back-fill deployed AGR Soldiers to maintain unit readiness and to support families of deployed Soldiers. A portion of each State's mobilized savings funds this program.

**FUNDING IMPACT:** Any reduction in funding levels will adversely effect this program and ultimately the ability to support mobilizing and deployed units.

## **BASE OPERATIONS SUPPORT (BOS)**

**AREA OF INTEREST:** CURRENT READINESS  
**FY06 UFR:** \$131M  
**APPN:** OMNG

**DESCRIPTION:** For Soldiers and their families, installations are configured to provide the same quality of life that is afforded the civilian communities they are pledged to defend. Base Operations Support (BOS) is the umbrella program that encompasses those quality of life services such as family support centers to assist family members and enhance the Soldier well being; environmental conservation and compliance to maintain and protect natural and cultural resources; force protection which provides law enforcement and physical security measures that protect individuals, facilities, and critical assets; the full range of utility systems and purchased utilities; complete municipal services, including solid waste disposal, pest management, custodial services, snow removal, and grounds maintenance; audiovisual, base communications, and information technology networks; health and safety prevention and protection; logistics; and, financial management services.

**ISSUE JUSTIFICATION:** BOS is basic, but essential, and provides the full range of services that our nation's citizens expect from the cities and other municipalities in which they live and work. The OMNG budget supports 138M square feet of buildings including 4 power support platforms, 104 training centers, 54 regional training institutes, 4 aviation training sites, 4 aviation classification and repair activity depots, 111 Army aviation support facilities, 3,120 readiness centers, 40 Armed Forces Reserve Centers, and almost 900 surface maintenance repair activities. For the past several years, risks have been taken in BOS resulting in funds migrating from other mission essential programs to cover basic services such as utilities. Migration of funds from Sustainment, Restoration, & Modernization (SRM), to BOS has caused infrastructure neglect and degradation. Under our current defense strategy, installations serve as power projection platforms supporting Soldiers where they live, work, train, mobilize, and deploy to fight.



**FUNDING IMPACT:** Our challenge is to sustain adequate funding levels that provide quality, equitable, and consistent services to all Soldiers and their families. To accomplish this, it is absolutely imperative that BOS receive adequate funding to meet both current and future force requirements. The additional \$131M will be distributed as follows: Force Protection \$67M, Base Operations (BASOPS) \$31M, Family Programs \$14M, Base Information Management Operations \$12M, and Base Communications \$7M.

Special emphasis is placed on force protection. The ARNG supports 1,141 total sites with 397 of these sites identified as critical. Current funding levels allow for the maintenance of only 75% of critical and only 21% of the total. Additional funding will enable the ARNG to support the physical security posture at all 397 critical sites providing facility hardening, security fencing, blast mitigation, and infrastructure upgrades. It will also support the maintenance and monitoring of over 4,000 Intrusion Detection Systems (IDT) at the non-critical sites thereby reducing the number of security personnel needed at those sites.

Additional funding in BASOPs will be used to offset increased utility costs. Additional funding in family programs will be used to fund the additional 12 Family Readiness Ground (FRG) assistants needed to assist the State Family Program Directors in disseminating vital information to dispersed family members and to act as a direct conduit between unit commanders and the Director. Current funding only supports 42 of the 54 Family Readiness Ground (FRG) Assistants. Also, some of the funding will be used to support additional volunteer training workshops and to enhance child development services and youth development programs. Additional funding in Base Information Management Operations will be used to support the GuardNet XXI network with a Disaster Recovery program designed to minimize network impairment and outages. Under a failure scenario, disaster recovery devices will automatically initiate a call to a network access device thereby minimizing the impact to a mission-critical system which serves multiple Department of Defense (DoD) programs and readiness functions across the nation. Additional funding in Base Communications will be used to modernize and expand the bandwidth capacity of the wide area networks (WAN) at the 54 state-level commands in support of GuardNet integration into the Army Enterprise Network and the Global Information Grid.

## FLYING HOUR PROGRAM (FHP)

**AREA OF INTEREST:** CURRENT READINESS

**FY06UFR:** \$53M

**APPN:** OMNG

**DESCRIPTION:** The ARNG Flying Hour Program provides resources to combat aviation units with aircraft, Aviation Classification Activity Depots (AVCRAD), and to ARNG Aviation Training Sites (ATTS) for institutional graduate level flight courses. The current Combined Arms Training Strategy (CATS) is 9.9 hours/crew/month, but the ARNG is currently only funded at 7.6. Beginning in FY03, increased call up of ARNG aviation units reduced the homestation requirement for flying hours. Aircraft modernization and transformation actions, on the other hand, have driven up the cost of homestation training even after deducting mobilization offsets.

**ISSUE JUSTIFICATION:** Underfunding homestation training severely impacts go-to-war readiness and will have an impact on ARNG aviation's ability to meet future mobilization requirements. The

requirements for homestation collective unit training have been leveraged to support exclusively the preparation for war. Units receive resourcing based on their call-up status. Resources are withdrawn after call-up occurs. Additional resources are fed to units prior to call-up and for maintenance recovery actions following deployments. In order to fully resource readiness requirements of mobilizing ARNG units and support the minimum homestation training requirements, the FY06 FHP should be restored to the level necessary to train the aircrews remaining at homestation after deducting mobilization costs.

**FUNDING IMPACT:** ARNG aviation units preparing for war require funding at the full critical requirements for homestation training. Holding funding to historical execution does not permit the flying hours to vary with mobilizations and reflects the continuing realities of GWOT and prevents the efficient application of resources to train for the warfight.

## MILITARY CONSTRUCTION

**AREA OF INTEREST:** CURRENT READINESS/FUTURE FORCE

FY06 UFR: \$52M

APPN: MCNG

**DESCRIPTION:** Unfunded Congressionally Directed Unspecified Minor Construction (UMI) \$18.3M - in the FY 2005 budget, Congress directed the construction of \$23.0 million of UMI, but only increased the budget for UMI over the budget submission by \$4.7 million, leaving \$18.3 million unfunded. These projects identified by Congress are mostly fully designed and can execute quickly.

Weapons of Mass Destruction – Civil Support Team (WMD-CST) Facilities \$33.7M - currently 19 projects that have been identified to support WMD-CSTs remain unfunded.

**ISSUE JUSTIFICATION:** The current condition of many ARNG facilities impairs mission performance. Condition related problems can include obsolescence (designed for equipment and operational strategies no longer in use), lack of adequate force protection, wear, and age. In addition, force changes over time not supported by corresponding changes in facilities often mean units are operating from buildings designed for different purposes.

**FUNDING IMPACT:** Funding the unspecified minor construction deficit would result in immediate construction of projects identified by Congress as priorities, most of which are fully designed and ready for execution. Funding the WMD-CST facilities would provide a base of operations to 19 WMD-CSTs that are currently being stood up and would enhance the capability of military support to civil authorities in managing the consequences of weapons of mass destruction terrorism.

# MODERNIZING THE ARNG

The vision for the Army today consists of modernization using modularity to make the Active Component and Reserve Components look and function the same. The Army National Guard's focus is to ensure that the new units are organized and equipped with the most modern equipment available to continue to fight the Global War on Terrorism, support overseas deployments and homeland defense efforts, while, at the same time, maintain warfighting readiness.

The ARNG Modernization Strategy, coupled with the Army Modernization Strategy of a "balanced modernization," consists of:

- Providing the nation with compatible, interoperable, and strategically relevant forces that will operate well into the future.
- Ensuring that ARNG Soldiers are equipped with essential force protection items (i.e. the latest body armor with sapi plates, night vision devices, and small arms weapons through the Rapid Fielding Initiative).
- Efficiently shepherding equipment resources to mitigate near-term risk and enhance readiness for formations by leveraging the Army National Guard 1 to 25 Equipment Modernization Shortfall List (ARNG top 25 equipment requirements), subsequent Congressional Marks, and the National Guard and Reserve Equipment Authorization.
- Ensuring the Stryker Brigade Combat Team and the modularized brigades and divisions are fully resourced.
- Changing with the Army to ensure seamless deployability and interoperability, while insisting on full compatibility and parity, and ensuring the equipping and modernization strategy is applied to both the Army and Army National Guard.
- Mitigating risk with ARNG combat forces as the Army transforms and continues deployments supporting national objectives and increasing focus on operating within the joint warfighting environment.
- Continuing the aviation modernization and transformation begun under the Army's 2002 plan, and now significantly expedited under the Army's new 2004 plan.

The Army National Guard's highest priority continues to center on homeland security and maintaining a warfighting readiness posture while focusing on transforming from the current structure to the more modularized structure that will enable both Army Guard and Active Components to work and communicate together to better achieve full-spectrum operational readiness, training, and combat capabilities. In order to meet the new goals, the Army National Guard must transform to a lighter force while reducing the force structure. Part of this modularization effort will include moving 10 of the 20 heavy brigades to light brigades. The modularization of the ARNG brigades will be completed prior to FY10, and will not affect the fielding of the Stryker Brigade Combat Team (SBCT) to the Pennsylvania ARNG (56th Bde, 28th ID). The modularization of the targeted 34 brigades (10 heavy, 23 light, and 1 SBCT) will carry a heavy cost but is supported by the Army.

## RECAPITALIZATION

The goal of the Army is to continue the Recapitalization Program that upgrades and refurbishes current systems in lieu of buying all new equipment. The Army National Guard will continue to work with the Active Component in resolving the ARNG requirement issues. Both Components

must reevaluate the resources apportioned to do Reserve Component recapitalization (currently programmed in the Extended Planning Program (FY 2010–2016)) as a result of the vision for modularity, and to support returning brigades from operational deployments. The Army National Guard will continue in a focused approach to maintain the flexibility in fielding plan adjustments to support real-time high priority mobilizations in support of the Global War on Terrorism, contingency operations, and homeland security missions.

## **GROUND SYSTEM MODERNIZATION**

The FY04 Congressional Budget provided funding for SINCGARS radios for the 40th ID; HMMWVs (with some targeted for the Michigan ARNG); the HEMTT; Movement Tracking System; M22 ACADA CM Detectors for homeland security; and Prophet Countermeasures, AN/MLQ-40. The Prophet is the Army's premier SIGINT/MASINT system and has been combat-proven in both Iraq and Afghanistan. Ten Prophet systems have been fielded to deploying Army National Guard units, and an additional 12 systems are scheduled to be fielded to the ARNG. The National Guard and Reserve Equipment Authorization also played a large role in support of equipment acquisitions. It allowed the Army National Guard to procure much needed HMMWV tactical wheeled vehicles, HEMTT tankers, small arms, and some FMTVs during FY04.

Even with the funds provided during FY04, significant shortages within the Army National Guard persisted with such systems as the HMMWV, FMTV, HEMTT, generators, night vision devices, and C2 systems (Blue Force Tracking). The Line Haul Flatbed Trailer (M871 and M872 Models) shortages still exist in ARNG transportation units and have affected deployments to Iraq and Afghanistan. The Bradley Fighting Vehicles being deployed to Iraq and Afghanistan are causing problems with conversions to the ODS models and NET/DET. However, the Army National Guard was and is still able to provide some expansion and contraction capability to the Army through deployments of some of its brigades (30th, 81st, and 39th), enabling the Army to conduct the required missions in multi-theater operations. Additionally, the TOW Improved Target Acquisition System has been identified as a requirement of the modularized UA. It provides ground force units with greater long-range precision fires, long-range anti-armor fires, and superior long-range surveillance and target recognition. The ARNG conversion to modularity will require the continued focus and flexibility to adjust priorities, requirements, and fielding plans to support Combatant Commanders' execution of the Global War on Terrorism, Iraq and Afghanistan operations, and homeland security missions.

## **AVIATION MODERNIZATION AND TRANSFORMATION**

FY04 was an extremely significant year for Army aviation, and especially so for the Army National Guard aviation force. Two key and inter-related events resulted in decisions that will shape the Army's future aviation structure and modernization for the next decade and more. First, the aviation unit structure designs from the Aviation Transformation Plan 2002 were evaluated in light of combat experiences in Afghanistan and Iraq, which caused them to then be superseded by newer modular designs as part of the Army's Aviation Transformation Plan 2004. These new designs have already started implementation in selected Active Component units deploying to Iraq, and will be implemented for ARNG aviation units in FY05-06. Second, and of even greater beneficial impact to Army National Guard aviation, was the Army's cancellation of the long-running program for the RAH-66 Comanche helicopter. This bold action released more than \$14 billion that was being or will be used to correct long-standing deficiencies and shortages in the Army aviation force. This will now include procurement of three completely new types of aircraft; 322 light utility helicopters

(LUH) (204 to the ARNG); 368 Armed Reconnaissance Helicopters (30 to the ARNG); and 128 Future Cargo Aircraft (88 to the ARNG).

Future Cargo Aircraft will provide momentum and continuity of sustainment throughout the battle space by transporting time-sensitive/mission-critical supply items and/or personnel. Army cargo aircraft currently perform those missions which lie between the strategic and intra-theater missions performed by the Air Force and the tactical maneuver missions performed by Army rotary wing or ground assets. The Global War on Terrorism has placed a greater reliance on Army fixed wing assets as a means of providing responsive and agile support from multiple locations within the theater of operations, thereby reinforcing the criticality of acquisition and integration of the Future Cargo Aircraft to offset near-term C-23/C-12 divestitures.

In addition, the added funds will accelerate the Army's procurement of new UH/HH-60M Blackhawk helicopters and the upgrade of existing UH/HH-60A/Q/L helicopters to a common UH/HH-60M standard. The Army program for CH-47 cargo helicopters was also expanded to a new procurement objective that will now complete the upgrade of all CH-47D aircraft to the modernized CH-47F configuration by early in the Extended Planning Period. This change in the CH-47 program resolves a major Army National Guard concern with previous plans that would have left more than 100 of the ARNG's CH-47D aircraft in the old non-modernized configuration.

One shortfall that is not fully corrected in the Army's projected new aviation plan is the program for converting the Army's aging AH-64A attack helicopters to the modernized AH-64D Apache "Longbow" configuration. Due to lack of funding, while the Army procurement (remanufacture) objective for the AH-64D has increased from 501 to 597 aircraft, it will still leave more than 100 Apache aircraft in the outmoded AH-64A configuration. This means that six of the eight AH-64 attack battalions in the Army National Guard will remain permanently equipped with AH-64As, even though they are being deployed into the same combat theaters and missions where the Active Component units utilize more lethal and survivable AH-64Ds.

The aircraft inventory of the Army National Guard remained essentially flat during FY04 due to the Army's mobilizations and ongoing combat operations, which required that first priority for new and rebuilt aircraft go toward replacing aircraft lost or damaged in the forward theaters. This situation is projected to improve substantially during FY05 as the restructure of aviation units begins to restart the cascade of modernized aircraft from the Active Component to the Army National Guard, and thus continue progress toward an ARNG aircraft fleet of 710 UH-60s, 204 LUHs, 159 CH-47s, 174 AH-64s, 30 OH-58Ds, and 96 fixed wing aircraft.